A Roof Over Our Heads

Affordable Housing and Urban Growth in Western Canada

by Shannon Orr

October 2000

Funding for this research provided by:

ALBERTA
REAL ESTATE
FOUNDATION

CanadaWest
FOUNDATION

P.O. BOX 6572, Station D • Calgary, Alberta T2P 2E4 • Ph: 403-264-9535 • Fax: 403-269-4776 • www.cwf.ca

ISBN# 1-895992-79-6. This report was written by CWF Intern Shannon Orr. Research funding was provided by The Alberta Research Foundation. The opinions expressed in this document are those of the author only, and not necessarily those of the Canada West Foundation's donors, subscribers, or Council. Permission is hereby granted by the Canada West Foundation to reproduce this document for non-profit and educational purposes. Additional copies are available from the Canada West Foundation, or may be downloaded from the CWF web site (www.cwf.ca).

GLOSSARY

Accessible: truly accessible housing includes physical and structural access as well as the availability of support services and proximity to other essential community supports.

Affordable: the commonly accepted standard of affordability is that annual housing costs not exceed 30% of a household's gross income.

Development Cost Charges: charges paid by the developer or builder to the municipality, to finance off-site services such as roads, sewers, water systems and treatment plants.

Household: the individual or group of individuals living in a dwelling.

Prime Buyer: renter between the ages of 20 and 44.

I. Introduction

Despite over 75 years of housing policy, Canada continues to struggle with meeting the need for affordable housing.[1] In 1999, the Federation of Canadian Municipalities declared affordable housing a national disaster, and called for the building of 200,000 new affordable housing units over the next decade to meet the growing demand (FCM, 1999).

In Canada, a housing affordability problem exists because there are households that cannot afford to rent or buy a pest-free home with indoor plumbing, heat in the winter, running water, and that meets government safety standards. The minimum cost of such a "starter home" varies between cities – ranging from a high of $2[illegible]864 in Vancouver to a low of $69,292 in Chicoutimi (1997 data; CMHC, 1998). Within cities, the cost of housing also varies because of factors such as location, type of utilities, size and proximity to services. The challenge facing Canadian governments at all three levels is to reassess housing principles, policies and strategies in order to foster access to affordable housing for all Canadians.

Why is affordable housing an important urban issue? As this report will illustrate affordable housing is an important urban issue for three reasons. First, cities experience the greatest pressures for affordable housing, as urban growth typically results in increased housing prices and decreased availability. Second, due to downloading from the federal and provincial governments, many municipalities are playing an increasing role in housing policy. Third, how municipal governments choose to finance the infrastructure costs associated with urban growth can impact the availability of affordable housing in urban centres. Canada is becoming urbanized at a quick pace. According to the 1996 census, 78% of Canadians lived in urban areas,[2] compared to only one in five in 1871 (the first national census after Confederation). Since 1966, Canada's total population has increased by approximately 44%; of that growth, 88% occurred in urban areas (Vander Ploeg, 1999). As more and more people move into cities, there is increasing pressure on housing availability. This leads to an important question: ***in the face of urbanization, how can housing policy best promote universal access to affordable housing?***

Although there is an extensive literature available on urbanization and other policy areas such as the environment (Environment Canada, 1998), city services (Sancton, 1994), transportation (Raad and Kenworthy, 1998) and taxes (Kushner, 1992), relatively little analysis has been done addressing urbanization and affordable housing. This report addresses this gap in three ways. First, the report identifies issues and trends related to affordable housing and urbanization, and presents an overview of Canadian policies. Second, the report presents a statistical analysis of the relationship between urban growth and housing affordability prepared by economists Dr. Chris Bruce and Marni Plunkett for the Canada West Foundation (CWF).[3] Third, the report identifies the key challenges all three orders of government face in addressing affordable housing needs in Canada's cities. Similar to other reports released as part of CWF's Western Cities Project, this report emphasizes western Canadian data and policy. However, it should be stressed that the analysis is relevant to affordable housing debates across Canada.

The purpose of this report is to stimulate public debate about the appropriate affordable housing polices for Canada in the face of continued urban growth.

II. Defining Affordable Housing

There are multiple approaches to determining housing affordability (see Hancock, 1993; Linneman and Megbolugbe, 1992). Although economic standards for affordable housing are contentious (see Box 1), most governments in Canada use a "ratio" measure. The most common ratio is 30% of gross income (i.e., housing is "affordable" if rent or mortgage payments do not exceed 30% of gross income).

More generally, Maclennan and Williams (1990) provide the following definition: "'Affordability' is concerned with securing some standard of housing (or different standards) at a price or a rent which does not impose, in the eyes of some third party (usually government) an unreasonable burden on household incomes." The crux of the problem is that the supply of affordable housing cannot meet the demand. When people with lower incomes are spending a high proportion of their income on housing, they must make cuts to their budget in other areas such as food, education, and transportation.

Affordable housing is about the interplay of multiple variables that affect the cost of housing and ability to pay. Variables that affect the *cost of housing* include:

- **Energy costs.** Heating costs are typically included in economic determinations of affordable housing (see Bradbury, 1984). Heating costs may contribute significantly to the total housing cost. For example, in 1997 average annual heating costs in Calgary were $611 and $639 in Victoria (CMHC, 1998). Heating costs can vary between buildings (houses with greater insulation and double-paned windows require less heating) and between cities (cities that use natural gas have lower heating costs than those that use oil or electricity).

- **Supply of housing.** The number of houses will also affect housing prices. If the supply is insufficient to meet the demand, housing prices will rise, and housing becomes less affordable. Factors affecting new construction include conditions such as interest rates, the level of economic growth and demographic variables such as age, birth rate and household size. These variables will affect the construction of new housing both negatively and positively (Bourne, 1981).

- **Taxes and levies.** This includes costs of servicing residential land, development cost charges and property taxes. Affordability is affected by almost every category of fees, charges, levies and taxes that are related to resale, new housing and land development.

- **Market-based assessment of property values.** Typically, when municipalities move to market-based assessments, residential taxes rise in the inner city and decline in the suburbs. Complicating this is that the inner city tends to house a high proportion of low-income households, thereby exacerbating the affordability problem (The Peterborough Two Tier Property Tax Committee, 1991).

- **Urban Growth.** As will be discussed in greater detail later in this report, urban growth has a significant influence on housing prices.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

micromedia
a division of IHS Canada

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

101-00772/

Box 1:
Measuring Affordable Housing

The two most common economic measures of affordability used in Canada are ***ratio*** measures and ***core*** measures.

Ratio measures. The standard of 30% of gross (before tax) income spent on rent or mortgage is an example of this approach. The 30% threshold for housing costs is somewhat deceptive. For some low-income families, spending 30% may leave very little for other necessities. Furthermore, 30% of a $10,000 annual income secures little in the way of housing (Andrews, 1998). Ratio measures are the most commonly used indicators of affordability because of their simplicity. Although ratio measures have the advantage of simplicity, there are several problems:

- Ratio measures fail to account for differences in financing. Some consumers may accelerate their payments in order to decrease interest costs over the duration of the mortgage.
- Ratio measures also fail to take into account regional variation in housing prices. It is commonly understood that $600 per month will rent a far better apartment in Winnipeg than in Toronto.
- Using ratios and averages becomes less meaningful as the income gap between the rich and the poor continues to grow (Mason, 1995).

Core measures. Various core measures of affordability define what a minimum standard should be. Households that do not have the income to acquire this minimum are said to have an affordability problem. Core measures include some combination of *affordability* based on income, *suitability* based on dwelling size or design, and *adequacy* based on state of repair. Core needs measures have also been used by Canada Mortgage and Housing Corporation to define affordability problems, but a few conceptual problems limit their use (Mason, 1995):

- The minimum standard includes an arbitrary package of amenities.
- This package of amenities will vary regionally and between rural and urban areas.
- This measure tends to produce lower estimates of households with housing problems than the ratio approach (Streich, 1990).

Variables that affect the *ability to pay for housing* include:

- **Household incomes.** After 1970, the most significant income gains in Canada occurred just prior to the 1981-82 recession. After the recession, income growth across Canada slowed considerably. Since that time, income has on average trailed behind housing price gains (CMHC, 1998). Income data are presented in Table 1.
- **Mortgage rates.** Through the 1990s, there has been a steady improvement in the proportion of both new and resale homes at prices affordable to prime buyers. This improvement was interrupted briefly in 1994, when a jump in mortgage rates increased home carrying costs. By 1997, mortgage rates had decreased and twelve cities achieved their highest ever percentage of affordable resale homes. In

101-00772/

Box 1:
Measuring Affordable Housing

The two most common economic measures of affordability used in Canada are ***ratio*** measures and ***core*** measures.

Ratio measures. The standard of 30% of gross (before tax) income spent on rent or mortgage is an example of this approach. The 30% threshold for housing costs is somewhat deceptive. For some low-income families, spending 30% may leave very little for other necessities. Furthermore, 30% of a $10,000 annual income secures little in the way of housing (Andrews, 1998). Ratio measures are the most commonly used indicators of affordability because of their simplicity. Although ratio measures have the advantage of simplicity, there are several problems:

- Ratio measures fail to account for differences in financing. Some consumers may accelerate their payments in order to decrease interest costs over the duration of the mortgage.
- Ratio measures also fail to take into account regional variation in housing prices. It is commonly understood that $600 per month will rent a far better apartment in Winnipeg than in Toronto.
- Using ratios and averages becomes less meaningful as the income gap between the rich and the poor continues to grow (Mason, 1995).

Core measures. Various core measures of affordability define what a minimum standard should be. Households that do not have the income to acquire this minimum are said to have an affordability problem. Core measures include some combination of *affordability* based on income, *suitability* based on dwelling size or design, and *adequacy* based on state of repair. Core needs measures have also been used by Canada Mortgage and Housing Corporation to define affordability problems, but a few conceptual problems limit their use (Mason, 1995):

- The minimum standard includes an arbitrary package of amenities.
- This package of amenities will vary regionally and between rural and urban areas.
- This measure tends to produce lower estimates of households with housing problems than the ratio approach (Streich, 1990).

Variables that affect the *ability to pay for housing* include:

- **Household incomes.** After 1970, the most significant income gains in Canada occurred just prior to the 1981-82 recession. After the recession, income growth across Canada slowed considerably. Since that time, income has on average trailed behind housing price gains (CMHC, 1998). Income data are presented in Table 1.
- **Mortgage rates.** Through the 1990s, there has been a steady improvement in the proportion of both new and resale homes at prices affordable to prime buyers. This improvement was interrupted briefly in 1994, when a jump in mortgage rates increased home carrying costs. By 1997, mortgage rates had decreased and twelve cities achieved their highest ever percentage of affordable resale homes. In

addition, seventeen cities had the highest ever percentage of affordable new homes than ever.

- **Welfare, employment, and pension reform.** Government changes to welfare, employment insurance and pensions also have a significant influence on income: as welfare, employment insurance and pension rates decrease, a greater number of Canadians are susceptible to income constraints.

Certain populations, termed "households at risk," are more affected than others by the lack of affordable housing:

- **Low-income families.** Families with low incomes represent the majority of people waiting for affordable housing. This may also include single parent families who have additional costs that make affordable housing even more of an issue.

- **Aging population.** The aging baby boomers will soon place different pressures on the housing market as many will be looking for smaller residences, residences that are accessible for people with disabilities, and residences that are convenient to public transit. Aging populations on fixed incomes may have affordable housing issues (Mason, 1995).

- **Aboriginal communities.** Aboriginal communities face unique housing problems. Housing on reserves is often overcrowded, in poor physical condition and lacking in basic amenities. Aboriginal people on reserves are facing affordable housing issues that may in part be due to the marginal economic base in many aboriginal communities, fixed levels of financial support, a history of discrimination, low education levels and high unemployment. Many of these issues are also true for urban Aboriginal people (Mason, 1995).

- **Deinstitutionalized people.** The trend toward deinstitutionalisation of health and social services has an important influence on housing. Individuals who have been integrated into society may face employment constraints, and lack the necessary support to make good housing choices. Issues of

Table 1:
Minimum Wage and Average Family Income in Canada

Province	Minimum Wage (per hour)	Average Family Income (1996)
BC	$7.00	$57,285
AB	$5.00	$56,304
SK	$5.60	$50,194
MB	$5.40	$51,322
ON	$6.85	$60,712
PQ	$6.00	$50,460
NB	$5.50	$45,324
NS	$5.50	$44,012
PEI	$5.40	$46,645
NF	$5.00	$41,948
YK	$6.86	--
NWT	$6.50*	--

Source: Canadian Almanac Directory 1999 (Statistics Canada data)
* $7.00 for areas distant from the NWT highway system

Box 2:
Homelessness and Affordable Housing

Affordable housing and homelessness are different issues requiring different policy responses. The homeless do not have a stable, secure and adequate place to live. The homeless generally have nowhere else to live but on the streets, or in shelters run by non-profit agencies and religious organizations. In contrast, those with an affordable housing problem are paying more than they should for housing, but the assumption is that, at least for the time being, they are housed. If an affordable housing problem continues and becomes severe enough, and/or if other circumstances intervene such as unemployment, it can lead to homelessness.

There are two different streams of policy options relating to homelessness. The first is emergency or survival policy that might include shelters, free sleeping bags, daytime drop-in centres, and the provision of basic necessities. The second stream focuses on the root of the problem, the fact that these people have no housing. Appropriate policy responses may be similar to those suggested for affordable housing (e.g., providing subsidies), but must also address mental health issues, abuse, transitional services, addictions, and the over-representation of Aboriginal people among the homeless.

To provide one example of the homelessness situation in Canada, a count conducted on May 17, 2000 found 1,296 homeless people in Calgary including 30 families with 51 children under the age of 12. Approximately 19% of the homeless persons counted were Aboriginal, and 20% of the homeless were women. It is estimated that 85-150 more shelter beds will be needed to meet the demand in winter 2000/2001. Furthermore, the Calgary Homeless Foundation estimates 8,700 people and 4,800 families in Calgary are one paycheque away from being homeless (Slobodian, 2000).

access also come into play: disability and a lack of transportation may prevent some de-institutionalized people from being able to take advantage of available housing (Mason, 1995).

- **Victims of domestic violence.** Victims of domestic violence, in particular women and children, are placed in a dangerous situation if there is a lack of available affordable housing. Their lives may be increasingly at risk the longer they wait for affordable housing to become available. This also places an increasing strain on shelters that are often unable to cope with the demand for their services.

- **Young adults.** Young adults who are living on their own face significant housing constraints as they often have limited resources. Those who are also in school may face a significant affordable housing problem, as they become dependent on student loans and part-time work. Those young adults who are also raising children face significant challenges in terms of affordable housing

In sum, the affordable housing problem arises as a result of a number of factors (see Figure 1).

III. Affordable Housing: Current Realities

According to the CMHC, housing in Canada's major urban centres was far more affordable in 1997 than it was in 1970. In 1970, the proportion of prime buyers (renters aged 20 to 44) who could afford to purchase a starter home across all urban centres was 23% (weighted average). In 1997, a record 40.5% of prime buyer households could afford to buy a starter home (CMHC, 1998).

Box 2:
Homelessness and Affordable Housing

Affordable housing and homelessness are different issues requiring different policy responses. The homeless do not have a stable, secure and adequate place to live. The homeless generally have nowhere else to live but on the streets, or in shelters run by non-profit agencies and religious organizations. In contrast, those with an affordable housing problem are paying more than they should for housing, but the assumption is that, at least for the time being, they are housed. If an affordable housing problem continues and becomes severe enough, and/or if other circumstances intervene such as unemployment, it can lead to homelessness.

There are two different streams of policy options relating to homelessness. The first is emergency or survival policy that might include shelters, free sleeping bags, daytime drop-in centres, and the provision of basic necessities. The second stream focuses on the root of the problem, the fact that these people have no housing. Appropriate policy responses may be similar to those suggested for affordable housing (e.g., providing subsidies), but must also address mental health issues, abuse, transitional services, addictions, and the over-representation of Aboriginal people among the homeless.

To provide one example of the homelessness situation in Canada, a count conducted on May 17, 2000 found 1,296 homeless people in Calgary including 30 families with 51 children under the age of 12. Approximately 19% of the homeless persons counted were Aboriginal, and 20% of the homeless were women. It is estimated that 85-150 more shelter beds will be needed to meet the demand in winter 2000/2001. Furthermore, the Calgary Homeless Foundation estimates 8,700 people and 4,800 families in Calgary are one paycheque away from being homeless (Slobodian, 2000).

access also come into play: disability and a lack of transportation may prevent some de-institutionalized people from being able to take advantage of available housing (Mason, 1995).

- **Victims of domestic violence.** Victims of domestic violence, in particular women and children, are placed in a dangerous situation if there is a lack of available affordable housing. Their lives may be increasingly at risk the longer they wait for affordable housing to become available. This also places an increasing strain on shelters that are often unable to cope with the demand for their services.

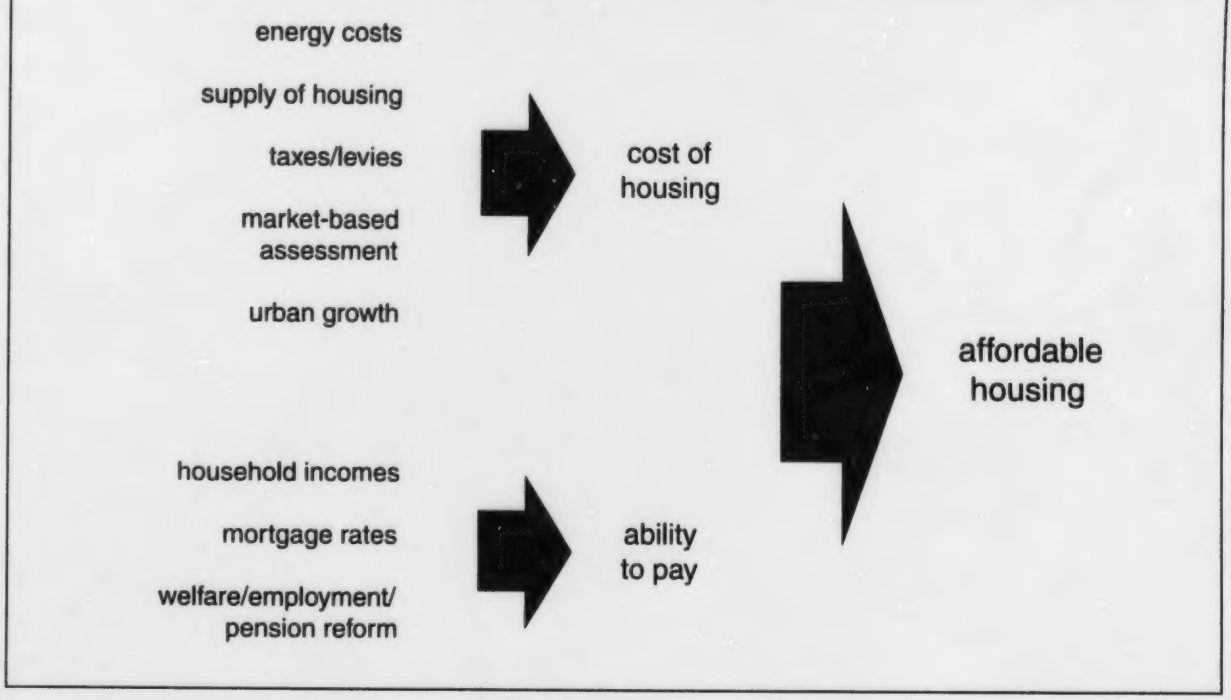
- **Young adults.** Young adults who are living on their own face significant housing constraints as they often have limited resources. Those who are also in school may face a significant affordable housing problem, as they become dependent on student loans and part-time work. Those young adults who are also raising children face significant challenges in terms of affordable housing.

In sum, the affordable housing problem arises as a result of a number of factors (see Figure 1).

III. Affordable Housing: Current Realities

According to the CMHC, housing in Canada's major urban centres was far more affordable in 1997 than it was in 1970. In 1970, the proportion of prime buyers (renters aged 20 to 44) who could afford to purchase a starter home across all urban centres was 23% (weighted average). In 1997, a record 40.5% of prime buyer households could afford to buy a starter home (CMHC, 1998).

Figure 1:
Factors Affecting Affordable Housing



While every housing market was more affordable in 1997 than in 1970, there has been significant reordering of positions. Chicoutimi has been the most affordable market since 1970. Halifax has made the greatest gains, with an affordability rating that has improved more than five times (from 11% to 51%) since 1970. The Atlantic provinces have shown strong improvement. In 1997, four of the five most affordable centres in Canada were in the Atlantic provinces (Saint John, Halifax, St. John's and Charlottetown) (CMHC, 1998). As Table 2 illustrates, affordability rates vary across western Canada. Resale houses are least affordable in Vancouver followed by Victoria. The highest affordability rates for resale houses are in Edmonton and Regina. With respect to new homes, Victoria and Winnipeg have the lowest affordability rates, and Regina and Saskatoon the highest.

IV. Affordable Housing and Urban Growth

Urban Growth in Canada

Canadian population growth over the past 30 years has been primarily urban. Large metropolitan areas now dominate the Canadian landscape. Urban growth is relatively new in the West, which means that as a region the West is dealing with more growth related impacts or pressures than regions that experienced more gradual growth.

Urban growth in Canada over the last few years has been

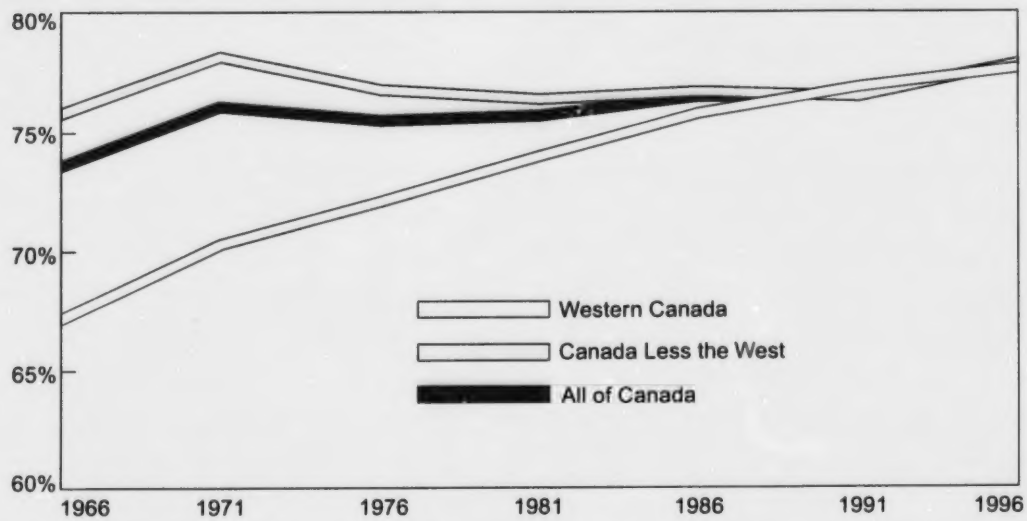
Table 2:
Affordable Housing in Western Canada

	% of Renters Who Can Buy* (January to June 1997)	% of New Homes That Are Affordable (January to June 1997)	% of Resale Homes That Are Affordable (January to June 1997)	Average Starter Home Price (1997)
Victoria	32%	31%	49%	$172,965
Vancouver	29%	52%	44%	$205,864
Edmonton	49%	80%	87%	$113,376
Calgary	46%	80%	76%	$135,914
Regina	48%	88%	87%	$86,319
Saskatoon	44%	86%	86%	$97,721
Winnipeg	44%	34%	81%	$86,358

Source: Canadian Mortgage and Housing Corporation, 1998

* This figure is calculated by determining the cost to buy a starter home, then the income required to buy that home. The final figure is calculated by dividing the number of renter households aged 20-44 that have the income required to purchase by the total number of renter households.

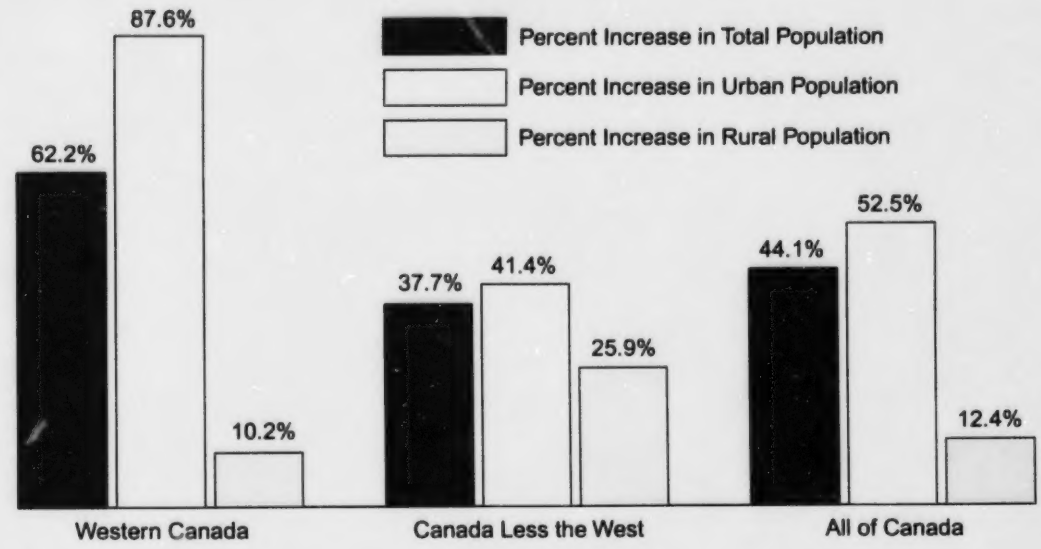
Figure 2:
Percentage of Population in Centres of 1,000 or More (1966-1996)



Source: Statistics Canada data presented in Vander Ploeg, 1999.

Note: The spike in 1971 and the decline in 1976 are due to a change in how Statistics Canada defines "urban."

Figure 3
Urban, Rural, and Total Population Growth (1966-1996)



Source: Statistics Canada data presented in Vander Ploeg, 1999.

most striking in the West (see Figure 2). The percentage of the population in the West that lives in urban areas has caught up to the rest of Canada. As of 1996, the proportion of the population living in urban areas was the same for western Canada (78%) and for Canada less the West (78%).

The rate of urbanization reflects changes in urban growth, rural growth and total population growth. For example, a province that has had no urban growth, but has had rural depopulation, would still show a positive change in urbanization. Figure 3 compares total population growth over the last 30 years with urban and rural growth and illustrates the fact that western Canada has experienced a greater increase in its total population (62.2%) compared to the rest of Canada (37.1%). The urban population in the West has also grown more (87.6%) than the rest of Canada (41.1%). British Columbia and Alberta experienced the highest rates of urbanization, with urbanization levels similar to Ontario and Quebec. Manitoba has a moderate rate of urbanization, and Saskatchewan, the most agricultural of the western provinces, has the lowest. However, both Manitoba and Saskatchewan are still more urbanized than the Maritime provinces or the northern territories. The Western region as a whole has experienced Canada's largest increase in urbanization (16%). In contrast, the rate of urbanization for central Canada has only grown by 3%, and Atlantic Canada's rate has decreased.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

micromedia
a division of IHS Canada

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

Based on population and urban growth in the West over the last thirty years, a few conclusions emerge:

- Western Canada has experienced greater population growth than either Ontario, Quebec or Atlantic Canada;
- The majority of Canada's population growth since 1966 has been urban;
- Growth in the number of urban residents in Western Canada has clearly outpaced growth in rural residents;
- Although western Canada was less urbanized than the rest of Canada thirty years ago, there is no discernible difference today;
- Much of the urban growth in the West has occurred in British Columbia and Alberta, with rates comparable to Ontario and greater than Quebec;
- Saskatchewan is somewhat of an outlier in the West, but it is still more urbanized than any province in Atlantic Canada, and has also seen the greatest increase in the proportion of the population that is urban;
- Rapid growth means that the West, more so than other regions, must deal with increased urban pressures.

Impacts of Urban Growth

One of the challenges in assessing the costs and benefits of urban growth is that although growth may *benefit* some or

Box 3:
Home Ownership Pros and Cons

One of the major issues in affordable housing is "owning versus renting." There are significant advantages and disadvantages to home ownership (Steele, 1990).

Advantages

Ownership gives a household more control over its immediate environment (i.e. quality of living space).

Ownership gives a household more control over housing expenses (i.e., a homeowner can control the amount of maintenance by doing things by hand, or choosing not to do something).

Ownership is a factor in the accumulation of wealth as a home with a paid off mortgage provides security during future unemployment or retirement. The standard mortgage payment is a forced saving scheme.

Wealth in the form of an owner-occupied home is favourably treated by the Canadian fiscal system. For example, there is no taxation on the capital gains from the sale of a principle residence.

Some housing preferences such as fenced in yards for children in urban areas may only be available through home ownership.

Disadvantages

Transaction costs are much higher for homeowners than tenants (e.g., real estate brokerage fees, land transfer tax, and legal fees).

Homeownership involves a capital risk that renting does not as the value of the home may decline.

Responsibility for housing management and maintenance tasks is an intrinsic part of homeownership that is not as present in renting.

Based on population and urban growth in the West over the last thirty years, a few conclusions emerge:

- Western Canada has experienced greater population growth than either Ontario, Quebec or Atlantic Canada;
- The majority of Canada's population growth since 1966 has been urban;
- Growth in the number of urban residents in Western Canada has clearly outpaced growth in rural residents;
- Although western Canada was less urbanized than the rest of Canada thirty years ago, there is no discernible difference today;
- Much of the urban growth in the West has occurred in British Columbia and Alberta, with rates comparable to Ontario and greater than Quebec;
- Saskatchewan is somewhat of an outlier in the West, but it is still more urbanized than any province in Atlantic Canada, and has also seen the greatest increase in the proportion of the population that is urban;
- Rapid growth means that the West, more so than other regions, must deal with increased urban pressures.

Impacts of Urban Growth

One of the challenges in assessing the costs and benefits of urban growth is that although growth may *benefit* some or

Box 3:
Home Ownership Pros and Cons

One of the major issues in affordable housing is "owning versus renting." There are significant advantages and disadvantages to home ownership (Steele, 1990).

Advantages

Ownership gives a household more control over its immediate environment (i.e. quality of living space).

Ownership gives a household more control over housing expenses (i.e., a homeowner can control the amount of maintenance by doing things by hand, or choosing not to do something).

Ownership is a factor in the accumulation of wealth as a home with a paid off mortgage provides security during future unemployment or retirement. The standard mortgage payment is a forced saving scheme.

Wealth in the form of an owner-occupied home is favourably treated by the Canadian fiscal system. For example, there is no taxation on the capital gains from the sale of a principle residence.

Some housing preferences such as fenced in yards for children in urban areas may only be available through home ownership.

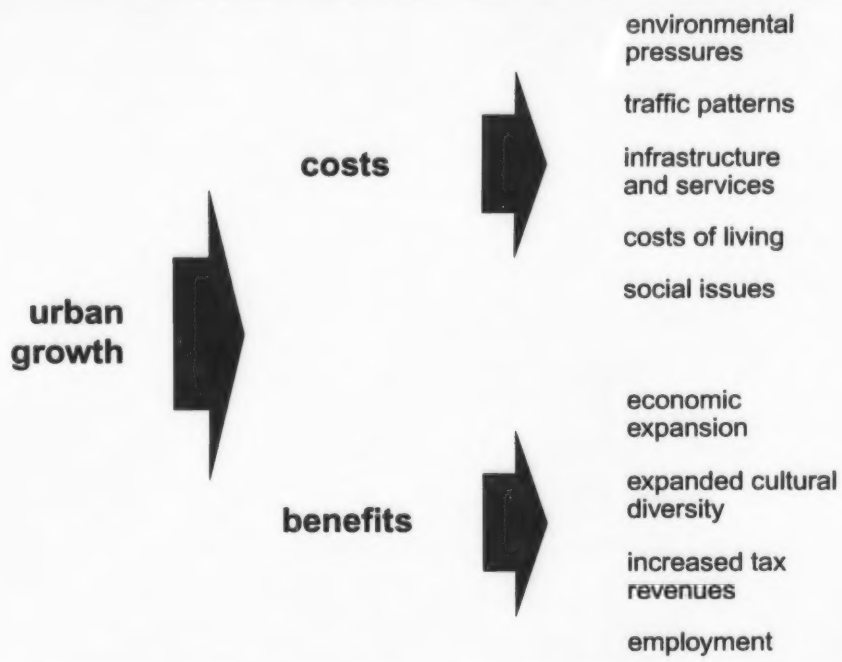
Disadvantages

Transaction costs are much higher for homeowners than tenants (e.g., real estate brokerage fees, land transfer tax, and legal fees).

Homeownership involves a capital risk that renting does not as the value of the home may decline.

Responsibility for housing management and maintenance tasks is an intrinsic part of homeownership that is not as present in renting.

Figure 4:
Costs and Benefits of Urban Growth



all citizens and businesses, it may be a *cost* for municipal governments. An additional problem arises when urban growth occurs outside of the urban core and in the surrounding suburbs. For example, while the City of Vancouver itself has a population of 514,000, the total urban area (Census Metropolitan Area), which includes Vancouver and 16 surrounding municipalities exceeds 1.6 million people.[4] If a significant amount of growth is occurring in the surrounding municipalities, the City of Vancouver will not benefit from an increased property tax base. However, it will be responsible for the expenses arising from new residents working, shopping and spending leisure time in the city. In Western Canada, this applies in particular to Vancouver, Victoria, Edmonton and Winnipeg (Berdahl, 2000).

Urban growth creates both challenges and opportunities.[5] The following is a brief summary of some of the most significant costs of growth in Canada:

- **Environmental pressures.** Along with urban growth there are increasing emissions of carbon dioxide in cities, thereby creating environmental problems. In addition, the absorption of surrounding agricultural land for development may diminish future food production capacity. With population growth also comes increasing pressure on landfill sites, which in turn places land, streams and ground water at risk (Fodor, 1996).

Box 4:
Costs and Benefits of Urban Growth

Costs

- environmental pressures
- traffic patterns
- infrastructure and services
- costs of living
- social issues

Benefits

- economic expansion
- expanded cultural diversity
- increased tax revenues
- employment

- **Traffic Patterns.** Urban growth leads to traffic congestion, due to the rise in the number of vehicles and the increased travel from home to work. This leads to longer commuting time, higher travel costs, pollution and more accidents. Higher accident rates in turn often manifest themselves in higher automobile insurance premiums (Sieder, 1999).

- **Infrastructure and Services.** Urban growth requires greater capital investment in order to maintain existing roads and construct new ones, and also places more demand on services such as health care, education, police and fire protection, electricity, water and sanitation (Fodor, 1996).

- **Costs of Living.** Economic indicators illustrate that urban areas tend to have higher levels of inflation and a higher cost of living compared to smaller communities.

- **Social Issues.** There are social issues associated with larger urban centres, including ghettoization, segregation, homelessness and social tensions (AUMA, 2000). There is a perception that crime increases in urban centres, but the data does not support such a relationship in Canada (Vander Ploeg, 1999).

Theory on the costs of growth suggests that urban growth leads to the following:

- **Economic expansion.** Economic expansion due to urban growth can be seen in particular in the areas of real estate development and the construction industry. Growth in these areas contributes significantly to the local and national economies (Molotoch, 1976).

- **Expanded cultural diversity.** Urban growth is often accompanied by increased cultural diversity, a result of a growing population and the fact that immigrants tend to be highly concentrated in Canada's large urban centres (Vander Ploeg, 1999).

- **Increased tax revenues.** Growth brings with it an increased tax base, which provides much needed public revenues. This can be significant because municipalities are limited in their abilities to generate revenue (Molotoch, 1976).

- **Employment.** Job creation is commonly cited as a positive aspect of urban growth. However, there is

Box 4:
Costs and Benefits of Urban Growth

Costs

- environmental pressures
- traffic patterns
- infrastructure and services
- costs of living
- social issues

Benefits

- economic expansion
- expanded cultural diversity
- increased tax revenues
- employment

- **Traffic Patterns.** Urban growth leads to traffic congestion, due to the rise in the number of vehicles and the increased travel from home to work. This leads to longer commuting time, higher travel costs, pollution and more accidents. Higher accident rates in turn often manifest themselves in higher automobile insurance premiums (Sieder, 1999).

- **Infrastructure and Services.** Urban growth requires greater capital investment in order to maintain existing roads and construct new ones, and also places more demand on services such as health care, education, police and fire protection, electricity, water and sanitation (Fodor, 1996).

- **Costs of Living.** Economic indicators illustrate that urban areas tend to have higher levels of inflation and a higher cost of living compared to smaller communities.

- **Social Issues.** There are social issues associated with larger urban centres, including ghettoization, segregation, homelessness and social tensions (AUMA, 2000). There is a perception that crime increases in urban centres, but the data does not support such a relationship in Canada (Vander Ploeg, 1999).

Theory on the costs of growth suggests that urban growth leads to the following:

- **Economic expansion.** Economic expansion due to urban growth can be seen in particular in the areas of real estate development and the construction industry. Growth in these areas contributes significantly to the local and national economies (Molotoch, 1976).

- **Expanded cultural diversity.** Urban growth is often accompanied by increased cultural diversity, a result of a growing population and the fact that immigrants tend to be highly concentrated in Canada's large urban centres (Vander Ploeg, 1999).

- **Increased tax revenues.** Growth brings with it an increased tax base, which provides much needed public revenues. This can be significant because municipalities are limited in their abilities to generate revenue (Molotoch, 1976).

- **Employment.** Job creation is commonly cited as a positive aspect of urban growth. However, there is

significant controversy whether urban growth also leads to reduced unemployment (for more information, see Molotoch, 1976).

Urban Growth and Affordability

An important cost of growth is the effect of urban growth on affordable housing. A study by Bruce and Plunkett (2000) empirically tests the relationship between affordable housing and urban growth based on data for 317 cities (population greater than 10,000) from the Canadian censuses of 1986, 1991 and 1996. They performed a series of statistical analyses to determine whether increases in the rates of growth of Canadian cities were correlated with increases in either house prices or median income. They also tested the hypothesis that the percentage of households that live in "affordable housing" declines when the growth rate of an urban population increases. Their findings are as follows:

- A 10% increase in population is associated with a 1.7% increase in average house prices. This implies that for a city such as Calgary, where the population has been projected to grow by 22% (from 768,000 to 938,000) between 1996 and 2004, house prices on average are predicted to rise by 3.7% – from an average of $162,000 in 1996 to $168,000 in 2004 (holding all other factors, such as inflation and family income, constant).

- A 10% increase in population is associated with a 1.9% increase in household median income. Thus, for the city of Calgary, the expected 22% increase in population between 1996 and 2004 will result in an increase in household median income of 4.2%, from $49,439 in 1996 to $51,505 in 2004 (holding all other factors constant). The results also suggest that a 1% increase in median income is associated with a 1% increase in house prices.

- Using the affordability measure of 30%, it was found that a population increase of 10,000 was associated with a 0.3% increase in the proportion of homeowners with payments on shelter greater than 30% of household income. Thus, in Calgary, this proportion is projected to increase from 16.7% in 1996 to 21.6% by 2004. As well, if median income increased by $10,000, the proportion of households with payments greater than 30% of household income would be expected to fall by approximately 1%; however, this indirect effect is very weak.

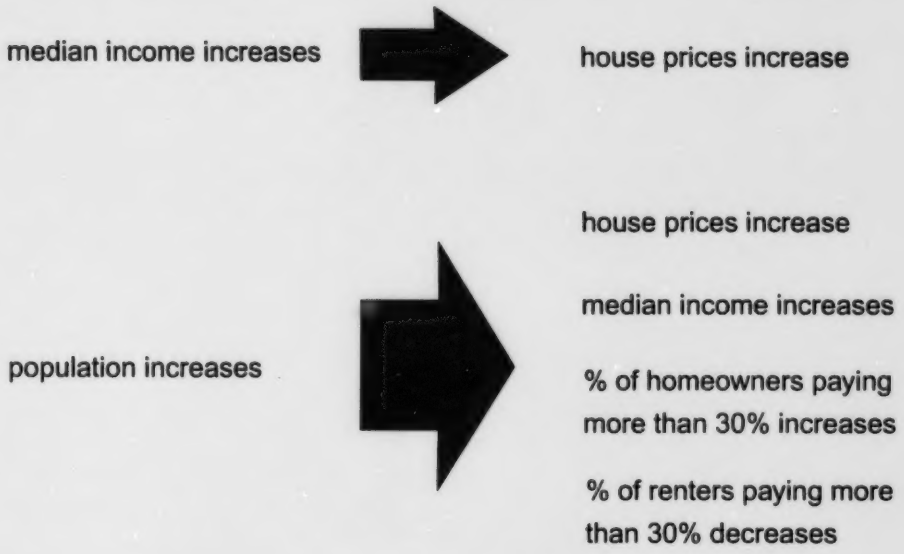
- In terms of rental housing, when population increases by 10,000, the proportion of households with rent greater than 30% of household income decreases by 0.03%

In summary, Bruce and Plunkett found evidence of a positive relationship between population growth and house price; a positive relationship between population growth and income; a positive relationship between population growth and the proportion of homeowners with payments on shelter greater than 30% of household income; and a negative relationship between urban growth and the proportion of households with rent greater than 30% of household income see Figure 5). Thus, in general homebuyers are made worse off and existing homeowners and renters are made better off when a city experiences population growth.

As illustrated by the above study, housing and urban growth are directly related. Variations within Canada are the result

Figure 5:

Factors Affecting Affordable Housing


median income increases
house prices increase
house prices increase
median income increases
population increases
% of homeowners paying more than 30% increases
% of renters paying more than 30% decreases

of inter-provincial migration and household formation. Household formation and in-migration affect overall household growth by increasing demand both in the ownership and rental markets.

- **Inter-provincial migration** typically reflects economic strengths and weaknesses in the country (for more information see Helliwell, 1996). As a province attracts migrants, its urban centres typically grow and the proportion of affordable housing declines. In Calgary, Canada's fastest growing major city, net migration between 1992-1996 was 18,245. Projected net migration for 1997-2001 is 74,000 people. In part due to this inter-provincial migration, in Calgary in 1998 there was a rental vacancy rate of less than 1%, no new social housing units built, a social housing waiting list of 1,400 (compared to 1,000 in 1996), and an average rent that was the highest of the prairie cities ($511 for one bedroom and $635 for two bedrooms). New arrivals are increasingly at risk of being homeless or inadequately housed due to these shortages (City of Calgary, 1998).

- **Household formation** (setting up a household for the first time) is affected by varying population demographics. From 1971 to 1991 rapid household growth was a significant factor underlying the sharp rise in prices in both British Columbia and Ontario centres. Total household growth was very strong in the 1970s, when the baby boomers began to enter the housing market. Regionally, the West in particular experienced strong growth in both owner and renter households. In the early 1980s,

when affordability issues in Vancouver constrained access to ownership, renter households of prime buyer age in the West, particularly in Vancouver, increased at twice the national rate (CMHC, 1998).

The Challenge of Financing Urban Growth

In Canada, municipalities are responsible for providing infrastructure.[6] As municipalities have limited revenues, one of the challenges municipal governments face is finding ways to pay for the increasing costs of growth with limited funds. This is complicated by the fact that federal and provincial governments have reduced their funding of municipal infrastructure, increasing the burden on growing municipalities. Municipalities are constrained in their ability to raise revenue through property tax, business tax, user fees, intergovernmental grants, loans, and other charges such as Development Cost Charges (DCCs). The revenues available to municipalities through these options are substantially lower than the revenues available to federal and provincial governments through income taxes, sales taxes, fuel taxes, gambling and other sources.

Many municipalities have turned to DCCs (also called development charges, lot levies, impact fees and off-site services charges), which are charges paid by the developer or builder to the municipality to finance off-site services such as roads, sewers, water systems and treatment plants. In some jurisdictions other services such as recreation centres, schools and libraries are also paid for (at least in part) by DCCs. These charges do not include on-site charges within the development such as internal roads, which are generally the direct responsibility of the developer. These charges are typically justified by the fact that without the new development municipalities would not need to expand infrastructure. Thus the developer, and in turn the new homeowners to whom the costs are passed onto, should be the ones to pay. Table 3 outlines the allocation of development charges in the major Western cities.

Table 3:
Developmental Cost Charges

Vancouver	• Development charges are paid by the developers based on floor space and use. • Social housing is exempt.
Victoria	• Development charges are paid at the time of subdivision based on the size of the development and include sewage, water, drainage and highway construction.
Calgary	• Primary development charges for large-scale projects are paid by the land developers on a formula based on the size of the development.
Edmonton	• No fixed fee. • Payment varies depending on the costs of installing services for a particular subdivision.
Regina	• Charges based on size of project.
Saskatoon	• Charges are based on the frontage of the subdivision. • Charged to the developer upon subdivision.
Winnipeg	• Development charges are assessed when the land is rezoned and subdivided (prior to the permit process) and are the responsibility of the developer. • Some fees are collected through utility charges.

Source: Direct communication with municipalities
Note: This table does not reflect DCCs in non-core cities in Census Metropolitan Areas, such as Richmond and Burnaby.

Development cost charges may meet municipal financial needs, but how do they impact affordable housing? The long-term effect of DCCs is higher new housing prices. There is general agreement in the literature that the

increases in new house prices resulting from the DCCs are reflected in higher prices across the entire resale market (see, for example, Skaburskis, 1990; and Lampert, 2000). According to the Canadian Home Builders Association, development charges will inevitably increase costs and affect affordability (McCormick, 1999). The shift in demand occurs as buyers choose resale homes over new homes because they are lower in cost and do not include the development charges. This demand for resale housing in turn drives up the prices. DCCs have a similar effect on rental prices. This benefits existing homeowners as the values of their homes will increase somewhat as new home prices rise. The problem is that this contributes to the lack of available affordable housing.

Figure 6:
Developmental Cost Charges & Affordable Housing

Assuming that municipalities will single handedly continue to shoulder the burden of urban growth costs, what options can they employ to both cover costs and promote affordable housing? To explore this, Bruce and Plunkett (2000) investigated three alternative methods for paying for government investment in urban infrastructure and compared the effects of each method on the average cost of housing. Their results were as follows:

(1) Development charges

In their model it was found that because the cost of building new homes determines the price of existing homes, if the city shifts the costs of suburban infrastructure onto new home developers, the prices of all houses in the city will increase by the cost, per lot, of that infrastructure. All houses will increase in price and, therefore, decrease in "affordability."

(2) Equal tax loading

Equal tax loading uses municipal taxes to spread the costs of expenditures on infrastructure across all residents of the municipality. If the city spreads the costs of new infrastructure equally across all housing units, the effective increase in house prices will be substantially less than would have resulted had the city required that all infrastructure costs be borne by builders of new homes. The effect of this policy, therefore, is to increase the "affordability" of housing, although it increases the costs of housing to existing residents. However, this method offers the lowest incentive for developers to build in-fill housing, thereby creating the least amount of crowding in inner city neighbourhoods.

(3) Differential tax loading

Differential tax loading uses differential municipal taxes to 'load' the expenditures for new infrastructure onto the residents of the new suburbs. If a city was constrained in its ability to spread the costs of new infrastructure across all

homeowners, this would be an alternate choice by increasing the taxes of only the new homeowners (see Bruce and Plunkett, 2000 for a detailed economic analysis of these options).

To summarize, the use of development charges leads to decreased affordable housing. Bruce and Plunkett found that equal tax loading is the best option, followed by differential tax loading. It is important to note, however, that municipalities are in a difficult situation. The combination of increased pressures and reduced federal/provincial infrastructure support means that municipalities have little recourse other than to implement charges of some kind. Politically, differential tax loading and equal tax loading would be difficult options to promote to citizens.

V. Affordable Housing Policy in Canada

Housing in Canada is provided by both the private and public sectors. The private sector provides housing based on the available financial resources of firms and their willingness/interest in producing housing for profit, as well as on the income of households and their willingness to pay for housing services through purchase or rental. The public sector, in contrast, works on the basis of housing need as defined by individual households or by society as a whole. In both instances, however, the objective of matching the supply of housing with the demand for housing is the same (Bourne, 1981). Table 4 illustrates the differences between the public and private sectors in housing.

In general the private sector emphasizes efficiency (particularly maximizing outputs and profit), while the public sector emphasizes equity (particularly assuring adequate housing for all Canadians according to their needs). In the nineteenth century, grass roots reform movements calling for government housing arose because of the failure of the private sector to adequately provide housing for those with low incomes.

Table 4
A Comparison of Public & Private Interests in Housing

	private market	public sector
principle objective	• efficiency (over equity)	• equity (over efficiency)
criteria of efficiency	• maximizing outputs • maximizing profits to private firm • minimizing costs of production	• maximizing use of existing housing stock • minimizing administrative costs • maintaining an adequate stock (in terms of gov't safety standards)
criteria of equity	• price restricts over-consumption of housing (i.e., a consumer cannot buy a house that is unaffordable)	• assuring adequate housing for all • treating all equally according to their basic needs
process of allocation	• competition (ability to pay)	• needs and social priorities

Source: Bourne, 1981

Governments intervene in housing markets because they feel that the provision of shelter is too important from social, financial, economic and political perspectives to be left to the unregulated private market. There are three major purposes for public intervention in the private market:

- **Allocation.** The need to ensure that the productive resources of society are used as effectively as possible;

- **Stabilization.** To minimize the effects of short-term and long-term fluctuations in the economic system; and

- **Growth and redistribution.** To ensure that economic growth continues, that incomes increase, and that social inequalities are reduced (Bourne, 1981).

Policy Options

With respect to affordable housing in particular, there are numerous broad strategies that governments can pursue, primarily directed at resolving the housing cost-income gap:

- **Do nothing.** Those unable to afford housing at socially acceptable minimum standards will spend less on other necessities such as food, live outside of mainstream society in shanty settlements, "double up" with other household members, or become homeless.

- **Reduce user costs.** This policy approach is an attempt to reduce the cost facing the owner or user of that dwelling. This is achieved by providing a subsidy to suppliers (developers, home sellers, land lords) so that the price the supplier charges is lower than the real cost.[7] These subsidies may include: land provided by a local authority to developers at zero cost free or below market price; low (or tax deductible) interest loans; non-repayable grants; publicly provided infrastructure; reduced interest rates on construction loans; tax breaks on specified expenditures; and rent control. Reducing property taxes will also reduce user costs. While these subsidies are generally provided by governments, they may, as in the case of rent control, be imposed by government but be paid for by the supplier. The government may set eligibility rules, which restrict the dwellings to those with incomes below specified levels (Doling, 1997). Subsidies make housing more affordable, but they require significant investment on the part of government in terms of money, time and management, and will be opposed by suppliers of the costs are borne by the private sector.

- **Increasing ability to pay.** These subsidies include some form of income redistribution such as a money transfer that can be spent as the recipient chooses, reducing income taxes, a voucher that can only be redeemed for housing, or compensation through the income tax system (Doling, 1997). The main disadvantage of money transfers is that people may not always spend the money on housing as it was intended. The advantage of this option is that it requires little investment on the part of government in terms of infrastructure. This approach may stimulate the private housing market as it does not affect the profits of private firms.

- **Social housing.** Although the term social housing is somewhat ambiguous, the literature[8] identifies three key features: 1) rent levels are not set in order to maximize profit, rather the owners of property (often non-profit organizations or government) are concerned to achieve only limited or no profit; 2) dwellings are allocated according to principles of need, not ability to pay; and 3) the amount and the quality of social housing is strongly influenced by the level of social demand (Doling, 1997). For

example, a government may own a set of townhouses that it then rents at a low price to families in need. The advantage of this system is that it provides safe/secure housing in a stable environment, and eliminates some of the negative consequences of poverty. However, government and/or non-profit organizations must make a significant investment in infrastructure and time. Social housing may also lead to the creation of defined low-income areas (i.e. housing projects) with depressed market values.

The policy environment in which affordable housing is developed encompasses all three levels of government. While changes in housing policy and programmes will most directly influence the availability of affordable housing, it should also be noted that changes in any of the following policy areas will have an influence on affordable housing. This is not a comprehensive list, but is intended to highlight the complexity of the affordable housing issue (for more information, see Lampert and Pomroy, 1998).

Federal Government

- Banking regulations and monetary policy influence mortgage financing as well as general interest rates levels and lending practices in all sectors of society.
- Mortgage finance legislation and occupancy regulations influence consumers and/or the housing industry.
- Income support policies such as employment insurance and pensions affect ability to pay.
- Income tax policies affect the ability to pay. (For example, in the United States interest on mortgage payments can be deducted from personal income tax.)

Provincial Government

- Income support policies such as welfare affect the number of people with limited incomes and their purchasing power, and thus affect the demand for affordable housing.
- Municipal transfers affect municipalities' ability to pay for growth and this affects the cost of housing through DCCs and property taxes.
- Tax policies affect the ability to pay.

Municipal Government

- Building codes, materials testing and municipal planning policies influence technical aspects of construction and development, and thus affect the rate of construction and supply of housing.
- Urban growth policies affect housing requirements and the supply of housing throughout a city.
- Development cost charges affect the cost of housing.
- Property taxes directly affect both the cost of housing and the ability to pay.

Evolution of Canadian Affordable Housing Policy

Affordable housing has been on the policy agenda in some form or another for almost one hundred years, yet the problem remains. Housing is not explicitly mentioned in the Canadian constitution, and over the decades housing policy has been addressed by all three levels of government to varying degrees. The following is a brief discussion of the history of affordable housing policy at the federal, provincial and municipal levels, in order to set the historical context for further policy discussion (for more information on the history of Canadian housing policy, see Bacher, 1993).

Pre-1900: The Roots of Government Involvement

In the late 1800s, reform movements spread across Canada. In addition to labour and temperance movements, urban reform movements were formed in response to the deterioration of Canada's major cities. The slum-like conditions in the country's largest cities, largely due to unprecedented urban growth, became a significant concern. Between 1891 and 1908, Winnipeg's population grew from 26,000 to 140,000, Vancouver's from 14,000 to 93,700, Montreal's from 268,000 to 373,000, and Toronto's from 181,000 to 314,000. In response, urban reform movements fought for improved sewers, cleaner streets, and more efficient transportation. An additional concern was that the private sector did not provide sufficient housing for certain populations such as those with low incomes.

While many charitable organizations became active in providing services such as housing assistance for the poor, their efforts were insufficient due to the size of the problem and the lack of money and volunteer support. The social reform movements led to limited government involvement (usually by local governments) in the 1890s in areas that were traditionally strictly private, such as the supply and distribution of housing.

1900-1945: Limited Government Involvement

In the first half of the 20th century, home ownership rates rose as more families built their own homes. Families generally paid for homes with their own funds; borrowing, when done, was between individuals rather than with financial institutions. There was very little government involvement in the suburban areas.

Federal Government

In this period, the federal government became more active in developing mechanisms to support affordable housing. The Dominion Housing Act (DHA) was introduced in 1935 as a means for the federal government to join with lenders in the provision of joint mortgage loans to buyers and builders of new homes. This differed from conventional financing as it covered 80% of the house value; at the time, lenders were limited by statute to lending 60% of the house value. Under the DHA, lenders still provided 60%, but the Dominion provided an additional 20%. The joint-mortgages were to be repaid over a term of 20 years, in contrast to the standard at the time, which was 3–5 years for repayment. This reduced the annual cost of home-ownership, while greatly extending the period of indebtedness. DHA loans were also attractive because they included a low interest rate that was limited to 5%. This rate was obtained by the government subsidizing the rate received by the lender (approximately 6%), and accepting a lower rate on its own contribution (3%).

The joint lending arrangement continued with the National Housing Act (NHA) in 1938 which replaced the Dominion

Housing Act. The National Housing Act (titled "An Act to Promote the Construction of New Houses, the Repair and Modernization of Existing Housing" since 1944) authorized the Minister of Finance to make low interest loans to local housing authorities, including provinces, municipalities and local non-profit groups, in order to increase the supply of housing. Between 1941 and 1949, 46,000 houses were constructed under the NHA.

During this time, the federal government also became involved in rent control in an effort to control wartime inflation. In 1940, rent controls were imposed in fifteen Canadian cities by the Wartime Prices and Trade Board, and then expanded to include the rest of the country in 1941. In 1944, the federal government implemented a variety of affordable housing programmes including the Veterans Low Rental Housing Programme, the Emergency Shelter Programme and a Graduated Rent Scale (GRS).

Provincial and Municipal Governments

There was little provincial or municipal involvement in housing policy during this period.

1946-1972: Formal Government Commitment

Between 1945-1981, the social safety net was developed in Canada. Between 1960 and 1981, Canada's social expenditures rose from 12.1% to 21.7% of GDP. Social programmes initiated in this time period include Family Allowance (1944), Old Age Security (1951), Canada Pension Plan (1965), Universal Medicare (1965) and Canada Assistance Plan (1966) (Bothwell, Drummond and English, 1989).

Federal Government

In this era the federal government directed housing policy, although co-operative federalism provided for different cost-sharing arrangements with the provincial governments. Federal policies were directed toward strategies such as new construction of public housing and providing rent subsidies based on income. From 1946-1973 over 120,000 public housing units were produced, which provided subsidized rental housing for about 2% of Canadian households (Streich, 1990).

In 1946 the Central Mortgage and Housing Corporation (CMHC, now Canada Mortgage and Housing Corporation) was established to administer the National Housing Act. In the post-war period, CMHC had a broad mandate which included: direct involvement in development and construction, direct lending, co-lending, facilitating the expansion of private financing available for housing through mortgage insurance and other initiatives, infrastructure funding, urban renewal and revitalization, and a range of programmes to stimulate private sector development and to provide subsidies that would enable public and social housing development and operation (Lampert and Pomroy, 1998).

Other milestones in affordable housing policy in this era included:

- the Federal/Provincial Public Housing Programme (1949). Introduced to share capital costs and operating losses; 12,000 dwellings were constructed by 1964.

- end of rent controls (1951). Quebec was the only province with comprehensive rent controls extending beyond 1951.

- the Mortgage Insurance Programme (1954). Introduced under the NHA to replace the joint lending schemes in order to stimulate greater private sector mortgage lending.

- CMHC direct lending limited to social housing (1954).

- NHA approved loans for urban renewal amended in order to address the problem of slum dwellings in major cities (1956).

- CMHC brief entitled *Housing and Urban Growth in Canada* presented to the Royal Commission on Canada's Economic Prospects (1956). Brief reported on the quantity and quality of the urban housing stock, estimating that 350,000 families were not maintaining their households due to the lack of affordable housing.

- public housing loans permitted to provinces and municipalities as a substitute for the partnership approach (1964).

Provincial Government

After WWII, the provinces began to assert their capacity to reorganize local government and mandated municipalities to control urban development (Harris, 2000). In 1948 the first provision permitting subsidized public housing under a federal/provincial partnership was implemented. As another provincial initiative Newfoundland became the first province to complete a public housing project, with a total of 140 units constructed in St. John's in 1951.

In the late 1950s, constitutional difficulties arose as the federal government, through CMHC became involved in urban renewal and public housing. The provinces argued that the federal government was overstepping its boundaries because municipal affairs and land development are under provincial jurisdiction. This dispute led to the creation of Provincial Housing Corporations in the 1960s. These corporations operated as conduits of federal dollars to municipal projects. They functioned through negotiated agreements with CMHC regarding cost-shared and federally funded programmes, as well as implementing provincially financed initiatives. In turn, they also negotiated agreements with municipal governments regarding programme delivery and administration (Wolfe, 1998).

Municipal Government

Regent Park, a City of Toronto housing project on a CMHC financed urban renewal site, began Canada's organized public housing programme. There were few other uniquely municipal programmes for affordable housing, as most were directed by the provincial and federal governments.

1973-1985: Expanded Government

This era saw further expansion of the safety net, and a general growth in the number and scope of government programmes. There was widespread support for housing policy and programmes, particularly in the areas of social housing and support for low-income families.

Federal Government

The affordability of housing was recognized as a federal concern under the first Trudeau government in 1968. A Task Force on Housing and Urban Development (1968-1969) identified that the residential construction industry, financial institutions and various levels of government had failed to build an adequate supply of housing at affordable

levels for low-income families. They dated the beginnings of the crisis to the 1930s. However, they failed to find solutions to the affordability problem (Bacher, 1993). In response, the building of new social housing units was stopped until 1972-1973, when new housing projects for seniors were developed.

In this era, the federal government greatly expanded its role in affordable housing. Programmes introduced include:

- establishment of the Cooperative Union of Canada (1964), sponsored by CMHC, to promote non-profit cooperative housing, expansion of urban renewal and public housing programmes;
- expansion of the Federal/Provincial Public Housing Programme in the prairie provinces to include housing for Aboriginal persons (1965);
- introduction of NHA mortgage insurance on existing owner occupied housing (1966);
- creation of Willow Park in Winnipeg, Canada's first publicly-financed continuing housing cooperative (1966);
- permission for Canada's chartered banks to originate conventional mortgage loans on new and existing properties (1967);
- Public Housing Programme (1969);
- CMHC and the Department of Indian Affairs and Northern Development (DIAND) arrange to "make loans to Indians, as defined in the Indian Act, for the purpose of assisting in the purchase, improvement, or construction of housing projects on Indian reserves" (1973);
- Assisted Rental Programme (ARP) introduced to assist in the production of new affordable rental housing in the private sector by granting interest free loans (1975). Over 122,000 rental units were produced.

In 1973, housing policy changed direction from joint cost-shared federal/provincial programmes to unilateral federal and provincial low-income housing policies. This occurred first with the federal non-profit/co-operative housing programme, followed by provincial housing allowance programmes (Streich, 1990). The 1973 federal non-profit programme incorporated the concept of "income mixing": certain units in each project would be low-income housing and the rest would be higher income. This policy shift was a response to criticisms that the placement of low-income families in large public housing projects led to the "ghettoisation" of the poor. The result of this income mixing approach was a decrease in the number of units produced that were affordable to low-income households: from 20,000 units in 1971 to 6,000 in 1979. An additional 14,000 units were actually occupied by moderate-income tenants paying market rents. While the social integration goal was achieved, the low volume of programme output brought into question the value of the programme (see Streich 1990).

Provincial Government

Some provincial governments became active in unilateral affordable housing activities in the 1970s. Provincial housing allowance measures in British Columbia, New

Table 5:
Housing Policy in Canada: History and Trends

Era	Context	Federal Role	Provincial Role	Municipal Role
Roots of Government Involvement (pre-1900)	• Reform movements • Urban growth • Slum conditions in cities	• None	• None	• None
Limited Government Involvement (1900-1945)	• High home ownership	• Loans programmes • Rent control	• Limited	• Limited
Federal Government Commitment (1946-1972)	• Establishment of social safety net • Cooperative federalism • Royal Commission	• Social housing • End rent controls • Mortgage insurance	• Social housing • Provincial housing corporations	• Limited delivery and management of provincial programmes
Expanded Government (1973-1985)	• End of cost-sharing • Unilateral federal and provincial programmes • Wage and price controls	• Income mixing • Social housing • Home improvement loans • Assisted rent loans • Increased federal role	• Housing allowance • Rent controls • Increased provincial role	• Emerging municipal role, particularly in social housing
Government Downloading/Private Partnerships (1986-present)	• Decentralization • Debt and deficit • Fiscal conservatism	• End of income mixing • Targeting most needy households • Federal/Provincial social housing agreements • Reduced federal role	• Provincial administration and delivery of social housing • Rent regulations • Increased provincial role	• Increased municipal role • Municipal legislation

Brunswick, Manitoba and Quebec targeted assistance to the needy low-income population, primarily seniors in rental accommodation. These programmes were able to target assistance to about 40,000 households in the early 1980s (Streich, 1990). Also, in 1977 the Shelter Allowance for Elderly Renters (SAFER) was introduced in British Columbia to assist low-income elderly to pay for housing. This was the first provincial shelter allowance programme in Canada.

In the mid-1970s, legislation in all provinces established rules governing rent increases in the private rental housing stock as part of the wage and price control programmes.

Municipal Government

This era saw significant participation on the part of municipalities in housing, and in particular affordable housing, through public housing projects and housing co-operatives. As part of this trend, Vancouver's first public housing project (Strathcona) was developed.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

micromedia
a division of IHS Canada

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

Box 5:
Non-Profits and Affordable Housing

In addition to municipal housing agencies there are a vast number of non-profit community-based organizations that supply, renovate or manage housing under programmes introduced by the federal and provincial governments. In addition, non-profit organizations are very active in providing and/or supporting affordable housing initiatives in communities throughout Canada. Organizations such as Habitat for Humanity have also been effective in bringing the issue of affordable housing to the policy agenda (for more information, see Dreir and Hulchanski, 1993).

Community Economic Development (CED) initiatives try to create economic well being for individuals and communities through diverse business, capital and real estate strategies. Affordable housing is an integral part of this approach (for more information, see Calgary Community Works www.communityworks.ab.ca).

1986-Present: Downloading of Responsibility and Emerging Public/Private Partnerships

Beginning in 1986, the federal government made dramatic cuts in the areas of social programmes in order to meet deficit reduction goals. This change had significant implications for housing policy and programmes in terms of the division of responsibilities and support for social housing.

As a result of the 1996 budget, CMHC is phasing out its management role of social housing, except for housing on Aboriginal reserves. As provincial governments accept their new management role, they are beginning to devolve further responsibility to municipal governments. One of the greatest concerns is that this has the potential to widen regional disparities in housing.

Federal Government

Federal housing policy changed significantly in 1986. In response to growing concern about the duplication of services and to severe budget deficits, housing policy was primarily directed at very low-income families, and many of the housing programmes discussed earlier were phased out. Through this era there is also a growing reliance on the provinces to deliver and administer social housing.

Today, as CMHC is no longer directly developing and financing housing, there is a greater priority on developing an appropriate public policy environment for competition and innovation by the private sector. There are now four priority areas for CMHC:

- housing finance – i.e., direct commercial provision of mortgage insurance and guarantees, and support for innovations in financial services and products to facilitate a creative, competitive and effecting housing finance market;
- research and information transfer;
- assisted housing – CMHC is negotiating with the provinces and territories to transfer responsibility for the administration for the existing portfolio of federally subsidized social housing; and
- international – representing Canadian housing interests internationally i.e., promoting export opportunities, improving export readiness and increasing international presence.

Provincial Government

In 1996 the federal government announced that the

Box 5:
Non-Profits and Affordable Housing

In addition to municipal housing agencies there are a vast number of non-profit community-based organizations that supply, renovate or manage housing under programmes introduced by the federal and provincial governments. In addition, non-profit organizations are very active in providing and/or supporting affordable housing initiatives in communities throughout Canada. Organizations such as Habitat for Humanity have also been effective in bringing the issue of affordable housing to the policy agenda (for more information, see Dreir and Hulchanski, 1993).

Community Economic Development (CED) initiatives try to create economic well being for individuals and communities through diverse business, capital and real estate strategies. Affordable housing is an integral part of this approach (for more information, see Calgary Community Works www.communityworks.ab.ca).

1986-Present: Downloading of Responsibility and Emerging Public/Private Partnerships

Beginning in 1986, the federal government made dramatic cuts in the areas of social programmes in order to meet deficit reduction goals. This change had significant implications for housing policy and programmes in terms of the division of responsibilities and support for social housing.

As a result of the 1996 budget, CMHC is phasing out its management role of social housing, except for housing on Aboriginal reserves. As provincial governments accept their new management role, they are beginning to devolve further responsibility to municipal governments. One of the greatest concerns is that this has the potential to widen regional disparities in housing.

Federal Government

Federal housing policy changed significantly in 1986. In response to growing concern about the duplication of services and to severe budget deficits, housing policy was primarily directed at very low-income families, and many of the housing programmes discussed earlier were phased out. Through this era there is also a growing reliance on the provinces to deliver and administer social housing.

Today, as CMHC is no longer directly developing and financing housing, there is a greater priority on developing an appropriate public policy environment for competition and innovation by the private sector. There are now four priority areas for CMHC:

- housing finance – i.e., direct commercial provision of mortgage insurance and guarantees, and support for innovations in financial services and products to facilitate a creative, competitive and effecting housing finance market;
- research and information transfer;
- assisted housing – CMHC is negotiating with the provinces and territories to transfer responsibility for the administration for the existing portfolio of federally subsidized social housing; and
- international – representing Canadian housing interests internationally i.e., promoting export opportunities, improving export readiness and increasing international presence.

Provincial Government

In 1996 the federal government announced that the

administration of all social housing would be transferred to the provinces in order to eliminate overlap. Following the signing of the Social Union Framework Agreement in 1999, Federal/Provincial Social Housing Agreements have been signed which transfer responsibility for administration of social housing to the provinces and territories. Additional information on current provincial programmes is provided in Appendix A.

Municipal Government

In each province many of the ongoing responsibilities related to housing are delegated to local jurisdictions through provincial enabling legislation.[9] In light of the devolution of responsibilities down to the provinces, and in turn to the municipalities, many municipal governments are exploring public/private partnerships for affordable housing. Additional information on current municipal programmes is provided in Appendix B.

Current Affordable Housing Policy in Canada

As noted above, housing is not explicitly mentioned in the division of powers in the Constitution Act (1982). Areas of clear provincial government responsibility related to housing fall under the provincial jurisdiction for civil and property rights, including land use regulation and planning. Federal legislative jurisdiction is most evident through the system of housing finance, the management of Canada's economy, and the broad responsibility for "matters of national interest" such as national standards (Lampert and Pomroy, 1998). This next section outlines federal, provincial and municipal responsibilities in affordable housing.

Federal Government

Although the National Housing Act gives CMHC the responsibility and authority to address the housing needs of Canadians, in 1995-1996 CMHC shifted social housing responsibility to the provinces and territories. The CMHC has agreed to continue to honour its long-term funding commitment to social housing. "The administration of social housing is being transferred to provincial governments, while the associated federal financial commitment (the federal share in 1998 was $1.9 billion annually) is being maintained through to the expiry of the existing project operating agreements" (Lampert and Pomroy, 1998: 117).

In light of the transferring of housing responsibilities for the administration of all existing social housing to the provinces, including the portfolio of projects that were funded by the federal government on a non-cost shared basis, federal affordable housing initiatives are limited to:

- funding subsidies for housing projects until the existing subsidy agreements for each project expire; and
- responsibility for housing programmes on Aboriginal reserves.

Provincial Government

Provincial governments have ultimate jurisdiction over several areas of housing:

- overseeing social housing delivery and management;
- providing programme and legislative responses based on provincial needs and resources;

- preservation of the existing housing stock through regulations and standards;
- property rights;
- planning and land use;
- building codes and standards;
- labour standards and relations;
- business legislation and regulations;
- land registration systems; and
- research and information dissemination.

The transfer of administrative responsibility for federally sponsored social housing reinforces the provincial role in consolidating administration of all social housing at one level. However, many provinces have been delegating (to varying degrees) some of their regulatory and enforcement responsibilities in the area of housing to municipalities and other local authorities (Lampert and Pomroy, 1998).

Municipal Government

Municipalities play a somewhat unique role in housing, as they have no constitutional authority in the area. The responsibilities of municipalities are derived entirely from delegation from provincial governments. Given the differences in responsibilities delegated to the municipalities by provinces and territories across Canada, the influence of municipalities on housing differs across the country. Even within provinces there are differences, with larger municipalities usually being delegated more responsibilities. In some specific cases, such as Vancouver, Montreal and St. John's, municipalities govern their affairs under a charter rather than through general provincial legislation (Lampert and Pomroy, 1998).

Specific municipal areas of responsibility include:

- Land use planning;
- Enforcement of building codes and standards;
- Maintenance and occupancy regulations for the existing stock;
- Property taxation;
- Various charges on new and existing housing;
- Licensing of businesses; and
- Housing assistance (to some extent). Municipalities in Ontario and Quebec have taken on a greater role in the administration of social housing.

Some municipalities have formed para-municipal corporations to develop housing, For example, the Societe d'habitation et de developpement de Montréal was formed to buy and renovate old inner city property. Management, and often ownership, are transferred to community non-profit groups and housing co-operatives (Bennett, 1997).

Cities in Western Canada operate a variety of affordable housing programmes. Which of these programmes works best? This is a difficult question to answer because there is a lack of substantive evaluation research on housing

programmes. Evaluations are costly, but necessary in order to determine the effectiveness of housing policy and programmes. In Canada, evaluations have been undertaken of some non-profit housing initiatives (see for example Kraus and Eberle, 1998.] In 1990 there was a large-scale evaluation done of public housing programmes (CMHC, 1990). Such evaluations, however, need to be done on a regular basis. In the long run, a commitment to evaluation may represent a cost saving as lessons are learned and mistakes are not repeated.

In reality there is probably no one "best" approach to affordable housing. Given the ever changing policy context and the pressures of urban growth, effective policy will likely be a mix of approaches operated through intergovernmental partnerships in order to build upon the strengths of each level of government.

VI. Challenges

Given the facts that affordable housing problems increase with urban growth, and that urban growth is expected to increase, the threat of a crisis is on the horizon. In light of this, there are significant challenges to addressing the affordable housing problem in Canada. The first challenge is that housing is largely considered to be a private sector activity, as 90% of Canada's total housing stock is privately owned by individuals or companies. The private housing sector makes a significant contribution to the Canadian economy; in 1997, approximately $40 billion was spent on new home building and renovations, representing almost 5% of GDP (Lampert and Pomroy, 1998). It is therefore easy for policymakers and the general public to dismiss housing as a public sector activity and assume that the private sector will provide for all housing needs. However, that has not proven to be true as the growing demand for social housing has shown. The fact is that the private housing sector alone, as it now stands, does not have the market incentives to ensure housing affordability for lower and lower-middle income households. For affordable housing to be accepted onto the Canadian policy agenda, the public must recognize the need as a legitimate public issue.

The second challenge is the issue of funding. Although the federal government has the largest available public revenues (due to its taxation powers), the recent transfer of social housing responsibilities to the provincial governments was not accompanied by a transfer of funds for these responsibilities. This places greater fiscal pressures on the provinces, and limits their abilities to expand programmes or launch new initiatives. Likewise, municipalities lack the resources to expand programmes. It is unlikely that the federal government will transfer additional funds to the provinces for affordable housing unless mechanisms are in place to both acknowledge federal support and allow federal standards to be developed and upheld. If Ottawa receives the support of at least six provinces, it can launch a new cost-shared social housing initiative. However, this would require significant organization and cooperation among the provinces.

A third challenge is the policy environment. As was discussed earlier, changes in other policy areas such as welfare or interest rates may have unintended consequences for affordable housing. Complicating this is the fact that policy changes occur at all levels of government, making it even more difficult to co-ordinate policy and monitor repercussions as they ripple through society. These unanticipated effects require responsiveness by all levels of governments to ensure that households are not at risk.

M121

IMPORTANT NOTE CONCERNING THE FOLLOWING PAGES

THE PAGES WHICH FOLLOW HAVE BEEN FILMED TWICE IN ORDER TO OBTAIN THE BEST REPRODUCTIVE QUALITY

USERS SHOULD CONSULT ALL THE PAGES REPRODUCED ON THE FICHE IN ORDER TO OBTAIN A COMPLETE READING OF THE TEXT.

REMARQUE IMPORTANTE CONCERNANT LES PAGES QUI SUIVENT

LES PAGES SUIVANTES ONT ÉTÉ REPRODUITES EN DOUBLE AFIN D'AMÉLIORER LA QUALITÉ DE REPRODUCTION

LES UTILISATEURS DOIVENT CONSULTER TOUTES LES PAGES REPRODUITES SUR LA FICHE AFIN D'OBTENIR LA LECTURE DU TEXTE INTÉGRAL

micromedia
a division of IHS Canada

20 Victoria Street
Toronto, Ontario M5C 2N8
Tel.: (416) 362-5211
Toll Free: 1-800-387-2689
Fax: (416) 362-6161
Email: info@micromedia.on.ca

Box 6:
Recommendations: Some Examples

Many groups have developed policy recommendations for the affordable housing problem. The following is a just a small sample of some of the suggestions.

- establish national standards for affordable housing (Toronto Board of Trade, 2000; Alberta Urban Municipalities Association, 2000);
- create municipal land use planning authorities to support affordable housing (Alberta Urban Municipalities Association, 2000);
- develop partnerships between all three levels of government, the private sector and the non-profit sector (Toronto Board of Trade, 2000; Calgary Region Home Builders Association, 2000; Krause and Eberly, 1998 – this recommendation is based on a survey of Canadian housing organizations);
- create tax initiatives such as investor tax credits for low income housing or land, tax exemptions, tax incentives to help groups raise funding for affordable housing, federal government waiving or reducing GST, and/or property tax exemptions (Krause and Eberly, 1998);
- expand rent supplement programmes to assist households at risk of becoming homeless (Toronto Board of Trade, 2000).

These recommendations are important to stimulating policy debate on the issue of affordable housing. However this debate must be accompanied by a commitment to evaluation to determine which policies and programmes are effective.

The fourth challenge concerns the important issue of jurisdiction. Given the current understanding of the roles of the three levels of government, where does responsibility fall? The existing approach to the delivery of housing policy and programmes is a poorly integrated mix of federal, provincial and municipal programmes which lacks a clear national mandate. The result is that Canada is at risk of both creating regional disparities in terms of socially acceptable minimum standards of housing, and setting affordable housing issues aside as provincial and municipal priorities shift. This is complicated by the fact that housing is not mentioned in the constitution, and so jurisdiction is unclear. By ending its involvement in housing, the federal government has made housing a provincial responsibility by default. With the growing devolution to the municipalities by the provinces, the division of responsibility becomes less clear. In Ontario, social housing policy has been delegated to the municipalities in its entirety.

Ideally it would seem that housing policy would work best as either a federal or municipal responsibility. The federal government would be able to both provide sufficient funds for affordable housing programmes and develop national standards. The disadvantage of a federal affordable housing model is that federal standards may not be responsive to local housing needs. Municipal governments have unique characteristics that make them important partners in affordable housing. Municipal governments have an understanding of local housing needs, and have at their disposal regulatory powers that can help facilitate the development of new affordable alternatives and limit the loss of the existing affordable rental stock in their community. As well, municipal governments can stimulate affordable housing through property tax policies, regulatory policies and zoning by-laws, and by helping to make land or

Box 6:
Recommendations: Some Examples

Many groups have developed policy recommendations for the affordable housing problem. The following is a just a small sample of some of the suggestions.

- establish national standards for affordable housing (Toronto Board of Trade, 2000; Alberta Urban Municipalities Association, 2000);
- create municipal land use planning authorities to support affordable housing (Alberta Urban Municipalities Association, 2000);
- develop partnerships between all three levels of government, the private sector and the non-profit sector (Toronto Board of Trade, 2000; Calgary Region Home Builders Association, 2000; Krause and Eberly, 1998 – this recommendation is based on a survey of Canadian housing organizations);
- create tax initiatives such as investor tax credits for low income housing or land, tax exemptions, tax incentives to help groups raise funding for affordable housing, federal government waiving or reducing GST, and/or property tax exemptions (Krause and Eberly, 1998);
- expand rent supplement programmes to assist households at risk of becoming homeless (Toronto Board of Trade, 2000).

These recommendations are important to stimulating policy debate on the issue of affordable housing. However this debate must be accompanied by a commitment to evaluation to determine which policies and programmes are effective.

The fourth challenge concerns the important issue of jurisdiction. Given the current understanding of the roles of the three levels of government, where does responsibility fall? The existing approach to the delivery of housing policy and programmes is a poorly integrated mix of federal, provincial and municipal programmes which lacks a clear national mandate. The result is that Canada is at risk of both creating regional disparities in terms of socially acceptable minimum standards of housing, and setting affordable housing issues aside as provincial and municipal priorities shift. This is complicated by the fact that housing is not mentioned in the constitution, and so jurisdiction is unclear. By ending its involvement in housing, the federal government has made housing a provincial responsibility by default. With the growing devolution to the municipalities by the provinces, the division of responsibility becomes less clear. In Ontario, social housing policy has been delegated to the municipalities in its entirety.

Ideally it would seem that housing policy would work best as either a federal or municipal responsibility. The federal government would be able to both provide sufficient funds for affordable housing programmes and develop national standards. The disadvantage of a federal affordable housing model is that federal standards may not be responsive to local housing needs. Municipal governments have unique characteristics that make them important partners in affordable housing. Municipal governments have an understanding of local housing needs, and have at their disposal regulatory powers that can help facilitate the development of new affordable alternatives and limit the loss of the existing affordable rental stock in their community. As well, municipal governments can stimulate affordable housing through property tax policies, regulatory policies and zoning by-laws, and by helping to make land or

financing available to support the construction of affordable housing (BC Housing, 1998). The disadvantages of a municipal affordable housing model are funding (municipalities lack the necessary revenues) and administrative (while large cities may be able to operate large-scale affordable housing programmes, smaller cities and towns may be ill-equipped to do so).

In reality, social housing is now the responsibility of the provinces, unless they choose to download that responsibility to the municipalities as Ontario has already done. Provincial governments lack both the funding to operate large-scale social housing programmes, and the local responsiveness inherent in municipalities (Bruce and Chisholm, 2000).

Housing policy in Canada must be responsive to the challenges presented by urban growth. Urbanization trends are expected to continue in the years ahead, and affordable housing policy must take into account the relationship between urban growth and affordable housing. Municipalities must consider affordable housing when dealing with the costs of growth. If provincial and federal governments want municipalities to play a greater role in housing, they must ensure that municipalities have resources to do so.

The federal government is in a difficult position regarding affordable housing. If the federal government were to announce new housing initiatives, those jurisdictions that have signed agreements to take on responsibility for the administration of existing social housing would likely want any new money to be directed to them to spend on programmes based on their own priorities.

Numerous reports and studies have called for the federal and provincial governments to enter into new partnerships in order to build additional housing units (e.g., Edmonton Task Force on Homelessness 1999, Taking Responsibility for Homelessness 1999, Homelessness: A Preventable Disaster 1999, Housing Supply Action Plan, 1998). However, affordable housing must be approached as a partnership among all three levels of government, the private sector and the non-profit sector. The emphasis must include both increasing the supply of affordable housing, and ensuring that households are able to afford market housing. Partnerships will support the combination of resources and expertise to the best effect, building on strengths and compensating for weaknesses. In order to achieve this goal, the following steps need to be taken:

(1) Federal, provincial and municipal governments should begin formal discussions regarding funding responsibilities for affordable housing. These discussions should take into account the constraints municipalities face in generating revenues.

(2) Federal, provincial and municipal governments, as well as non-profit organizations, should commit to evaluating the effectiveness of housing programmes. Federal monies could be used to fund the evaluations and to disseminate findings.

(3) Using the evaluations as a starting point, federal, provincial and municipal governments should work together to establish a national housing strategy. The roles of the various governments should be clarified at that time.

(4) Intergovernmental mechanisms should be

developed to ensure that national standards are being met, and that regional disparities in minimally acceptable social standards are reduced.

(5) All governments must be committed to linking housing policy and programmes to other sectors such as health, environment, labour, education, social services and community economic development. There must also be recognition that policy changes in these areas may have repercussions for affordable housing.

As part of this approach, there must be a supportive research environment for housing issues. There are many critical areas for further study, including research to determine the variables affecting affordability, to assess the impacts of change in the policy environment, and to track the effects of devolution at all levels. We also need a better understanding of the experiences of specific populations (such as the disabled, immigrants, Aboriginal people, and the elderly) in finding affordable housing in order to improve the responsiveness of housing policy for distinct populations. Lastly, comparative research on affordable housing would also add to our understanding of effective policies and programmes.

Urban growth is expected to continue in the years ahead. It is imperative that governments prepare now for the challenges that are yet to come. ■

Appendix A: Overview of Provincial Affordable Housing Policy in Canada

Attempts were made to have as comprehensive overview as possible. However given the complexity of the area, and the difficulties in obtaining information, it is possible that some programmes were inadvertently omitted.

NEWFOUNDLAND

The Newfoundland and Labrador Housing Corporation (NLHC) operates a variety of programmes including the Home Repair Programme (for low-income seniors, families and people with disabilities), the Emergency Repair Programme (for low-income households in rural areas) and, in collaboration with the Department of Human Resources and Employment, the Urgent Repair Programme (to assist social assistance clients with home repair options).

NOVA SCOTIA

The Department of Human Services offers a variety of affordable housing programmes including the Access-A-Home Programme (to assist households who must adapt a home for wheelchair use), the Provincial Housing Emergency Repair Programme and the Senior Citizens Assistance Programme (to assist low-income households and seniors who cannot afford to undertake emergency home repairs), the Public Non-Profit Housing (provides affordable rental accommodations for seniors and families on fixed incomes) and the Small Loans Assistance Programme and the Family Modest Housing Programme (provide loans to low and moderate income families to renovate or purchase a modest home).

PRINCE EDWARD ISLAND

The Department of Health and Social Services operates several programmes including Helping Hands for Seniors (a summer programme which employs students to do maintenance services for seniors), the Emergency Repair Programme (gives financial assistance to eligible applicants to make urgently needed home repairs), the Rural Mortgage Lending Programme (provides long-term loan funds to local credit unions for conventional mortgages), and the Second Mortgage Loan Programme (provides repayable second mortgages to eligible buyers who cannot obtain sufficient first mortgage financing).

NEW BRUNSWICK

The New Brunswick Housing Corporation (NBHC) has been active in the administration of public housing and rural and native housing since 1967. New Brunswick has several affordable housing programmes including the Home Completion Loans Programme (assists low and middle-income households to complete a partially constructed home), Home Orientation and Management Programme (organized workshops for people moving to subsidized housing), the Home Ownership Assistance Programme (provides financial assistance to low and modest income families to help them buy or build a modest first home), Non-Profit Housing Capital Grant Programme (non-profit organizations to construct or acquire affordable rental housing), Public Housing (provides rental assistance for low-income households), the Rent Supplement Assistance Programme (assists households in need to obtain affordable and adequate rental accommodation by subsidizing rents in eligible rental dwellings) and the Rural and Native Housing/Basic Shelter Programme (assists eligible off-reserve native and non-native households to obtain affordable and adequate housing in rural communities with a population of less than 2,500 residents).

QUEBEC

Quebec has been involved in housing programmes for many years through the Société d'habitation du Québec (SHQ). The Quebec Social Housing Fund was established to build new social housing projects in conjunction with non-profit organizations, private businesses and municipalities. Other programmes include the Residential Adaptation Assistance Programme (promotes renovation, emergency repairs, neighbourhood revitalization and adaptation of homes for disabled people), Low-Rental Housing (includes housing in northern regions, housing for aboriginal people living off-reserve, public housing and private housing), the Rent Supplement

Programmes (aimed at low-income households selected according to their income and the condition of the dwelling they occupy), the Shelter Allowance Programme (provides direct housing assistance to low-income households), and the AccèsLogis (supports cooperatives and non-profit organizations whose primary function is to provide rental housing to low and moderate-income households).

ONTARIO

The Ontario Housing Corporation has Canada's largest portfolio of public housing. Housing programmes have included market housing stimulation programmes, renovation initiatives and a significant non-profit housing programme. The Province has terminated funding for new projects and is in the process of delegating responsibility for social housing to municipalities.

The Rental Housing Protection Act (RHPA) is designed to preserve the existing supply of rental housing in Ontario. No rental residential property can be demolished, converted, renovated or repaired to an extent requiring vacancy unless the municipality approves. Rent-geared-to-income housing is owned by Ontario Housing Corporation (OHC) and managed by local housing authorities on the corporation's behalf. Tenants who rely primarily on Family Benefits Allowance (FBA), General Welfare Assistance (GWA) and Guaranteed Annual Income Supplement for the Disabled (GAINS-D) pay a predetermined rent. All other tenants pay a rent that is based on a percentage of gross income and adjustments for other earnings.

MANITOBA

The province through the Manitoba Housing Authority operates a several affordable housing programmes including the Shelter Allowance for Elderly Renters Programme, the FOKUS programme (provides assistance for disabled people in rental housing), the Public Housing Winnipeg District Programme (manages social housing in Winnipeg) and the Public Housing Rural District Programme (manages social housing in the rest of Manitoba). These programmes fund up to 90% of eligible rent costs over 25% of income.

SASKATCHEWAN

Through the Saskatchewan Housing Corporation, the province operates several programmes including the Remote Northern Housing Programme (gives grants to low-income families in the North to help them build their own homes), Affordable Housing Rentals (operating subsidies are given to property owners to keep rents at the low end of the market rate or at break even levels for moderate income seniors and families), Rent Supplement Programme (owners of approved rental projects are given subsidies to cover the difference between rental rates based on income and market rates in order to assist low-income renters and people with disabilities), the Rental Market Assistance Programme (provides assistance to developers and non-profit organizations to construct, own and operate rental housing in northern communities), Neighbourhood Home Ownership Programmes (provides financial assistance for families buying a home through a homeowner co-op), and the Home Modifications for the Physically Disabled Programme (assists the disabled to make their homes accessible).

ALBERTA

Alberta Community Development offers numerous housing programmes such as: the Community Housing Programme (provides subsidized rental housing for low income families, senior citizens, wheelchair users or individuals who cannot afford private sector rental accommodations), the Rural Emergency Home Programme (provides manufactured homes to eligible households in rural and remote communities who require short-term accommodations because their homes have been destroyed by fire, flood, or because there is overcrowding or unsafe living conditions), Rent Supplement Programme (subsidizes rents in eligible private sector rental projects), Special Purpose Housing Programme (provides mortgage subsidy financing to enable non-profit organizations to develop and manage emergency or transitional residential facilities), and the Rural and Native Housing Programme (provides modest rental accommodation to low income families in small rural communities).

A variety of government departments operate housing programmes such as: emergency shelters (Alberta Community Development,

Alberta Children's Services, Alberta Human Resources and Employment), transitional housing (Alberta Community Development, Alberta Children's Services and Alberta Human Resources and Employment, Alberta Health and Wellness and Alberta Alcohol and Drug Abuse Commission), long term housing (Alberta Community Development, Alberta Human Resources and Employment and Alberta Health and Wellness) and special purpose housing (Alberta Community Development, Alberta Human Resources and Employment and Alberta Health and Wellness).

BRITISH COLUMBIA

British Columbia maintains a social housing programme (HOMES BC) which places emphasis on families with children and homeless individuals (or those at risk of homelessness). HOMES BC is set up to encourage a more strategic and flexible use of provincial funds through the encouragement of municipal, private and non-profit sector contributions to social/assisted housing. Seniors receive assistance through the Shelter Aid for Elderly Renters (SAFER) programme, while rent supplements are available to those with chronic mental illness through partnerships with the Ministry of Health and non-profit mental health organizations.

YUKON

The Yukon Housing Corporation (YHC) offers a variety of programmes such as the Home Repair Programme (allows occupants to borrow funds at low interest rates and long repayment periods, with subsidies for qualified applicants), the Residential Electricity Management Programme (gives low interest loans for the installation of non-electric heating in existing housing), the Geared-to-Income Housing programme, a relocation assistance programme for mobile home owners to relocate to their own property, and a joint venture programme for developers planning to build modest rental or ownership housing.

NORTHWEST TERRITORIES

The Northwest Territories Housing Corporation (NWTHC) administers both rental and homeownership housing programmes through the Northwest Territories such as the Assisted Rental Programme (provides rental homes to clients in need of subsidized rental rates, Modernization and Improvement Initiatives (to improve the condition of public housing units), the Expanded Downpayment Assistance Programme (provides assistance to families to obtain homeownership or to expand or repair their homes in order to extend the unit's life), Independent Housing Programme (assists lower income families with housing needs to obtain modest homes), and the Northern Territories Rental Purchase Programme (provides tenants of Northern Rentals, which were built prior to 1985, the opportunity to purchase their unit at a reasonable price).

After assuming responsibility for the management and administration of all federally cost-shared programmes, the NWT offered local communities the option of assuming responsibility for the provision of housing services either through the community government or local community groups.

NUNAVUT

No information was available at the time of writing.

In addition to these programmes, many provincial social assistance departments have housing assistance components. Many provinces also provide subsidies through property tax rebates and tax credits, as well as home care support for the elderly, disabled and others with special needs.

Sources: Provincial Housing Corporation Annual Reports and web sites, and Lampert and Pomroy, 1998.

Appendix B: Overview of Municipal Housing Policy and Programmes in Western Canadian Cities

Attempts were made to have as comprehensive overview as possible. However given the complexity of the area, and the difficulties in obtaining information, it is possible that some programmes were inadvertently omitted.

VANCOUVER

Beginning in 1988 the City has required that major rezoning of lands to multi-unit residential use include 20% social housing. This policy has created, to date, a capacity for 2,500 social housing units, and 800 units have received funding. To improve the availability of affordable housing for families with children, the City requires that at least half of the social housing units in major projects be designated for families with children.

The City has purchased land to lease to non-profit societies and co-operatives for 60 years at 75% of market value. The write-down of the land leased since 1978 has a value of over $58 million.

In 1981, the City established the Affordable Housing Fund to provide grants for social housing projects developed on City-owned land. Without these grants, the projects would have been over budget. By the end of 1998, the City had approved almost $13 million in subsidies from the Fund.

VICTORIA

Housing policy in Victoria is developed by the Capital Regional District, a regional government that serves three electoral areas and thirteen municipal governments, including Victoria. The purpose is to join local governments together so that they can benefit from economies of scale and eliminate the duplication of services in certain areas. The Capital Region District Housing Corporation operates the following programmes: Non-Profit Housing for Families, Non-Profit Housing for Seniors, Housing Development (to assist community and church organizations in assessing their housing and support care needs) and Property Management (to assist non-profit groups in the provision of full property management services for their housing portfolios).

EDMONTON

The City of Edmonton funds and operates the Non-Profit Housing Corporation which provides affordable rental accommodations to low and middle income renters. Rent is 27% of combined gross household monthly income (to a maximum rent level), or the minimum rent, whichever is greater.

CALGARY

The Calgary Housing Authority, funded and operated by the City, administers public housing projects for families, individuals, and seniors within Calgary. Rents are based on approximately 30% of the gross family income. The City is also involved in joint ventures with the YWCA and other non-profit organizations to provide difficult-to-house people with accommodation where on-site support staff is available.

REGINA

The City offers many cost-shared programmes with the province, such as the Neighbourhood Home Ownership Program (NHOP) which provides grants and loans to low income families to assist them to purchase low-cost housing (the City contributes five percent of capital costs for this project).

The New Homes Now Programme purchases apartment blocks and keeps them available for social and low income housing.

The City also participates in quarterly meetings with provincial government representatives, other cities in Saskatchewan and housing groups to coordinate responses to social housing needs in the province.

SASKATOON

The Saskatoon Housing Authority (SHA), funded and operated by the City, manages over 2,500 homes offering clean, comfortable and secure surroundings. Homes are in well-established neighbourhoods, close to schools, buses and shopping. Some homes are wheelchair accessible providing independent living and privacy for people with physical disabilities. Tenants usually pay 25% of their gross monthly income regardless of the size or location of the home. Homes are allocated to the people who need them the most. About 500 apartments are referred to as "market housing" where tenants pay a set rent regardless of income.

WINNIPEG

Winnipeg operates several affordable housing programmes such as the Residential Rehabilitation Assistance Program (RRAP) which offers financial assistance to owners for repairs to rental properties and rooming houses that are affordable to low income individuals and families and occupied by low income households.

As part of "Plan Winnipeg...Toward 2010" the City is broadening its housing policy with an emphasis on assessment, partnerships, supporting non-profit organizations and working with Aboriginal groups to develop affordable housing.

Endnotes

1. The affordability indicator used by the Canada Mortgage and Housing Corporation is based upon the cost of buying a home compared to the capacity of prime buyer households (renters aged 20 to 44) to carry this cost. For more information on the calculation of this indicator see Canada Mortgage and Housing Corporation, 1998, pp. 15-16.

2. In Canada, urban refers to anyone living in a centre of more than 1,000 persons with a population density of 400 people per square kilometre. In the United States, urban refers to "incorporated" centres larger than 2,500 persons.

3. The report is available at the Canada West Foundation's web site (www.cwf.ca).

4. Statistics Canada defines a census metropolitan area as a very large urban centre, together with neighbouring urban and rural areas, that share a high degree of economic and social integration (Columbo, 1997: 54).

5. There is an extensive literature available on various aspects of urban growth. Excellent starting points include the Canadian Institute of Planners website http://www.cip-icu.ca/, and Maclaren, 1992.

6. Infrastructure generally includes the following: roads/bridges/sidewalks, street lights, storm sewers, solid waste disposal and sewage treatment, water treatment and distribution, public transit systems, parks and recreation, and emergency services.

7. Gibb and Munro (1991:3) define a subsidy as "a state-financed reduction in the cost of a specific commodity or asset, relative to the market price it could command."

8. There is an extensive literature available on social housing. See for example Social Housing Committee, 1998 and Prince, 1998.

9. Municipalities are established as public corporations through provincial legislation, which also details their responsibilities and authority. Most provinces have developed general municipal legislation which outlines the matters which may be subject to municipal regulation, defines the scope of such regulation, and provides certain powers to levy taxes and fees for municipal services. Some municipalities such as Vancouver, Montreal and St. John's operate under their own charter from the Provincial government (Lampert and Pomroy, 1998).

Bibliography

Alberta Urban Municipalities Association (no date). http://www.munilink.net/main/home.htm

Andrews, Nancy O (1998). Trends in the Supply of Affordable Housing (www.nlihc.org/mahn/supply.htm).

Dreir, Peter and David J. Hulchanski (1993). "The Role of Non-Profit Housing in Canada and the United States: Some Comparisons" Housing Policy Debate, 4(1).

Bacher, John C. (1993). Keeping to the Marketplace: The Evolution of Canadian Housing Policy. McGill-Queen's University Press.

Bennett, A, (ed.) (1997). Shelter, Housing and Homes: A Social Right. Montreal: Black Rose.

Berdahl, Loleen Youngman (2000). Financing Western Cities: Issues and Trends. Calgary: Canada West Foundation.

Bothwell, Robert, Ian Drummond and John English (1989). Canada Since 1945: Power, Politics, and Provincialism. Toronto: University of Toronto Press.

Bourne, Larry S. (1981). The Geography of Housing. London: V.H. Winston & Sons.

Bradbury, Katherine (ed.) (1984). Energy Costs, Urban Development and Housing. Washington, D.C.: Brookings Institute.

Bruce, David and Sharon Chisholm (2000). A Primer on Social Housing Policy in Canada: Pre-Release Excerpt. Ottawa: Caledon Institute.

Bruce, Christopher and Marni Plunkett (2000). Affordable Growth: Statistical Report. Calgary: Canada West Foundation.

British Columbia Housing (1998). Working Toward Solutions.

Calgary Community Works (no date). www.communityworks.ab.ca

Calgary Regional Home Builders Association (no date). http://www.crhba.com/ 2000

CMHC (1996). The Housing Conditions of Aboriginal People in Canada. Ottawa: Canada Mortgage and Housing Corporation

CMHC (1990). Evaluation of the Public Housing Programme. Ottawa: Canada Mortgage and Housing Corporation.

CMHC (1998). Renter to Buyer: CMHC'S 27-Year Historical Affordability Report 1970-1997. Ottawa: Canada Mortgage and Housing Corporation.

City of Calgary (1998). Community Action Plan - Reducing Homelessness in Calgary - Sponsored by: Homeless Initiative Ad Hoc Steering Committee. Calgary: City of Calgary.

Columbo, J. (ed.) (1997). 1998 Canadian Global Almanac. Toronto: MacMillan Canada.

Doling, John (1997). Comparative Housing Policy: Government and Housing in Advanced Industrialized Countries. New York: St. Martin's Press, Inc.

Edmonton Task Force on Homelessness (1999). Report of the Edmonton Task Force on Homelessness. Edmonton: City of Edmonton.

Environment Canada (1998). Working together for the Georgia Basin. Ottawa: Environment Canada.

Federation of Canadian Municipalities (1998). Municipal Government Perspective on Housing. www.fcm.ca/english/national/housing/housing.html.

Fodor, Eben (1996). "The Three Myths of Growth." Planning Commissioners Journal (21).

Gibb, K. and M. Munro (1991). Housing Finance in the U.K. Basingstoke: Macmillan.

Helliwell John F. (1996). "Convergence and Migration Among Provinces." Canadian Journal of Economics, 29 Special Issue.

Hancock, K.E. (1993). "'Can Pay? Won't Pay?' or Economic Principles of Affordability." Urban Studies Vol.30 (1).

Harris, Richard (2000). "More American than the United States: Housing in Urban Canada in the Twentieth Century" Journal of Urban History, 26 (4).

Housing Supply Action Plan (1998). Calgary: City of Calgary www.gov.calgary-ab.ca/8/housing/planumbr.htm.

Kraus, Deborah and Margaret Eberle (1998). New Ways to Create Affordable Housing: Results of a National Survey of Housing Providers - Final Report. Ottawa: Canadian Housing and Renewal Association/Canada Mortgage and Housing Corporation

Kushner, Joseph (1992). "Effect of urban growth on municipal taxes" Canadian Public Administration, 35 (1).

Lampert, Greg and Steve Pomroy (1998). Canada's Housing System: The Public Policy Environment for Housing in Canada. Ottawa: Canadian Home Builders' Association.

Lampert, Greg (2000). Restoring the Balance: Financing Municipal Infrastructure Required for New Development. Calgary: Canadian Home Builders' Association and CARMA Developers Ltd.

Linneman, P.D. and I.F. Megbolugbe (1993) "Housing Affordability: Myth or Reality" Urban Studies, 29 (3/4).

Maclennan D.and R. Williams (1990). Affordable Housing in Britain and the United States. York: Joseph Roundtree Foundation.

Maclaren, Virginia W. (1992). Sustainable Urban Development in Canada: From Concept to Practice. Ottawa: Conference Board of Canada.

Mason, Greg (1995). Housing a Diverse Society: Access and Affordability Issues for Canada. Ottawa: Canada Mortgage and Housing Corporation.

Molotoch, Harvey (1976). "The City as a Growth Machine: Toward a Political Economy of Place." American Journal of Sociology, 82 (2).

McCormick, Kathy (1999). "Developers seek relief from taxes" Edmonton Journal, October 16, 1999.

Peterborough Two Tier Property Tax Committee, (1991). http://www.raynon.com/crct/peterbor.htm#C1.

Prince, Michael J. (1998). "Holes in the Safety Net, Leaks in the Roof: Changes in Canadian Welfare Policy and Their Implications for Social Housing Programmes." Housing Policy Debate, 9 (4).

Raad,Tamim and Jeff Kenworthy (1998). "The US and us: Canadian cities are going the way of their US counterparts into car-dependent sprawl." Alternatives, 24 (1).

Sancton, A. (1994). Governing Canada's City Regions: Adapting Form to Function. Montreal: Institute for Research on Public Policy.

Sieder, Jill Jordan (1999). "Traffic Jam: In Atlanta, a Pitched Battle over Roads, Pollution, and Boundless Urban Sprawl." US News and World Report, February 8, 1999, 126 (5).

Skaburskis, Adnrejs (1990). "The Burden of Development Fees." Land Development Studies.

Slobodian, Linda (2000). "City's Homeless Climbs." Calgary Herald, Saturday, July 15, 2000.

Social Housing Committee (1998). Report of the Social Housing Committee. Toronto: Government of Ontario.

Steele, Marion (1990). "Homeownership and Low-Income Housing Policy in Canada." Tom Carter (ed.), Housing Affordability in Canada: Are we Addressing the Problem? Occasional Paper 22, Institute of Urban Studies, University of Winnipeg,.

Streich, Patricia (1990). "What do we mean by Progress? The Case of Housing Affordability in Canada since 1945." Tom Carter (ed.), Housing Affordability in Canada: Are we Addressing the Problem? Occasional Paper 22, Institute of Urban Studies, University of Winnipeg, 1990.

Streich, Patricia A. (1993). "The Affordability of Housing in Post-War Canada." John R, Miron (ed.), House, Home and Community: Progress in Housing Canadians 1945-1986. Montreal and Kingston: McGill-Queen's University Press, 1993.

Vander Ploeg, Casey, Loleen Youngman Berdahl and Roger Gibbins (1999). Cities @ 2000: Canada's Urban Landscape. Calgary: Canada West Foundation.

Wolfe, Jeanne M. (1998). "Canadian Housing Policy in the Nineties" Housing Studies, January 1998.